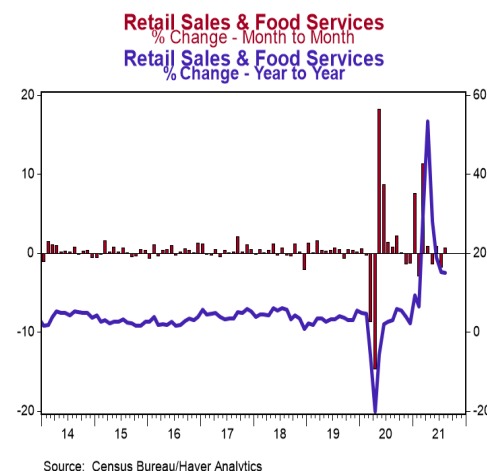


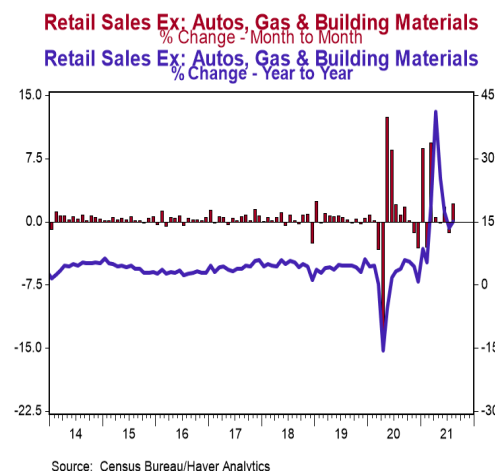
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August Retail Sales

- Retail sales rose 0.7% in August (+0.2% including revisions to prior months), easily beating the consensus expected decline of 0.7%. Retail sales are up 15.1% versus a year ago.
- Sales excluding autos increased 1.8% in August (+1.3% including revisions to prior months). The consensus expected no change. These sales are up 16.2% in the past year. Excluding gas, sales rose 0.8% in August, and are up 13.6% from a year ago.
- The gain in sales in August was led by non-store retailers (internet & mail-order), general merchandise stores, and food & beverage stores. The largest decline, by far, was for autos.
- Sales excluding autos, building materials, and gas rose 2.1% in August. If unchanged in September, these sales will be up at a 4.4% annual rate in Q3 versus the Q2 average.



Implications: Retail sales rebounded in August, surprising the consensus, increasing 0.7% for the month. Ten of thirteen major categories rose in August, with non-store retailers (internet and mail-order) leading the way, followed by general merchandise stores as back-to-school shopping was in full effect. The weakest category by far was autos as supply chain issues continue to wreak havoc on that sector. In fact, retail sales excluding autos rose 1.8% in August, the largest gain in five months. Overall sales are up a robust 15.1% from a year ago. Another way to look at it is that sales are up 17.7% versus February 2020, which was pre-COVID. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, rose 2.1% in August, are up 15.0% from a year ago, and up 18.2% versus February 2020. In other words, due to temporary government support, retail sales are running hotter than they would have in the absence of COVID, even as the level of output (real GDP) is still running lower than it would have been in the absence of COVID. It has not been an even recovery for all major categories, though. For instance, non-store retailers (+34.7%) and sporting goods stores (+33.2%) have grown significantly faster than overall retail sales since February 2020. The last category of sales to get above February 2020 levels was restaurants & bars, which finally moved into the green in April and are now up 8.7% from 18 months ago. Looking ahead, given that overall retail sales are still far above the pre-COVID trend, we expect a modest trend decline in the year ahead. However, as long as policymakers don't completely panic because of the Delta variant, we also expect sales at restaurants & bars to buck that trend and move higher, along with sales of services not counted by the retail trade report, as America gets back toward normal. In the months ahead, the path of retail sales will be a battle between a number of opposing factors. Rising wages, jobs, and inflation will all be tailwinds for retail sales, while the waning of the temporary and artificial boost from “stimulus” checks along with the end to overly excessive jobless benefits will be headwinds. In other news today, initial jobless claims rose 20,000 last week to 332,000. Meanwhile continuing claims declined 187,000 to a new recovery low of 2.665 million. With the end of additional unemployment benefits nationally earlier this month, all eyes will be on the jobs recovery as we move into the final quarter of 2021. Also today, on the manufacturing front, the Philadelphia Fed Index, a measure of factory sentiment in that region, rose to a very robust 30.7 in September from 19.4 in August, signaling solid growth in that region for the month.



Retail Sales <i>All Data Seasonally Adjusted</i>	Aug-21	Jul-21	Jun-21	3-mo % Ch. Annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	0.7%	-1.8%	0.9%	-0.9%	22.1%	15.1%
Ex Autos	1.8%	-1.0%	1.7%	10.2%	25.3%	16.2%
Ex Autos and Building Materials	0.0%	-1.0%	1.9%	11.5%	27.2%	16.9%
Ex Autos, Building Materials and Gasoline	2.1%	-1.3%	1.7%	10.0%	26.1%	15.0%
Autos	-3.6%	-4.6%	-2.1%	-34.1%	10.2%	10.7%
Building Materials	0.9%	-1.0%	-1.4%	-6.1%	5.0%	6.3%
Gasoline	0.2%	2.0%	3.6%	25.5%	36.8%	35.7%

Source: Bureau of Census