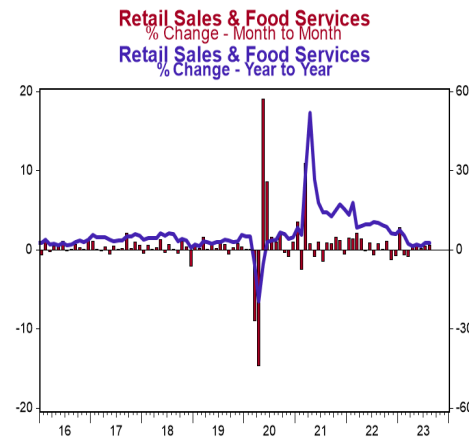


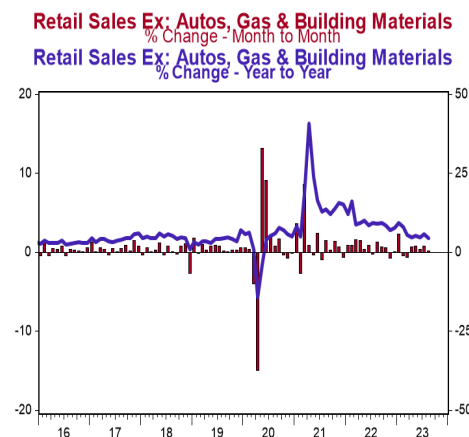
August Retail Sales

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- Retail sales rose 0.6% in August (+0.2% including revisions to prior months), beating the consensus expected gain of 0.1%. Retail sales are up 2.5% versus a year ago.
- Sales excluding autos increased 0.6% in August (+0.2% including revisions to prior months). The consensus expected a 0.4% gain. These sales are up 2.0% in the past year.
- The largest increase in August, by far, was at gas stations, largely due to higher prices.
- Sales excluding autos, building materials, and gas rose 0.1% in August, but were down 0.4% including revisions to prior months. If unchanged in September, these sales will be up at a 5.5% annual rate in Q3 versus the Q2 average.



Source: Census Bureau/Haver Analytics



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Implications: You can't always judge a book by its cover. The headline increase of 0.6% in retail sales suggests the consumer is thriving, easily beating the consensus expected gain of 0.1%. However, factoring in revisions to previous months, retail sales only registered a modest 0.2% increase. Also, the August surge in sales was predominantly fueled by a substantial 5.2% spike at gasoline stations, as pump prices skyrocketed by 10.6%. In other words, higher sales were due to revisions and inflation and doesn't reflect higher living standards. With oil prices on an upward trajectory, we anticipate further increases at the pump. "Core" sales, which exclude volatile categories such as autos, building materials, and gas stations – crucial for estimating GDP – inched up by 0.1% in August and were revised downward for previous months. Still, if unchanged in September, these sales will be up at a 5.5% annual rate in Q3 compared to the Q2 average. This is consistent with our view that real GDP growth will be unusually strong in Q3, before decelerating rapidly late this year. Consumers are starting to run out of excess COVID savings, which were boosted by temporary and artificial government stimulus payment. Over the past twelve months, overall retail sales have risen by 2.5%, falling short of inflation, indicating a decline in 'real' retail sales. While retail sales hit another record high this month, 'real' retail sales peaked back in April 2022 and have since declined by 2.7% from that peak. Our view remains that the tightening in monetary policy since last year will eventually deliver a recession. Expect more deterioration in real retail sales later this year. In employment news this morning, initial claims for jobless benefits inched up by 3,000 last week to reach 220,000, while continuing claims rose by 4,000 to 1.688 million. These figures suggest continued job growth in September.

Retail Sales <i>All Data Seasonally Adjusted</i>	Aug-23	Jul-23	Jun-23	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.6%	0.5%	0.2%	5.0%	2.8%	2.5%
Ex Autos	0.6%	0.7%	0.1%	5.8%	2.7%	2.0%
Ex Autos and Building Materials	0.0%	0.7%	0.3%	6.5%	3.5%	2.7%
Ex Autos, Building Materials and Gasoline	0.1%	0.8%	0.4%	5.1%	4.1%	4.5%
Autos	0.3%	-0.4%	0.5%	1.7%	3.4%	4.4%
Building Materials	0.1%	0.2%	-1.3%	-4.1%	-6.5%	-4.9%
Gasoline	5.2%	0.1%	-0.6%	19.8%	-0.8%	-10.3%

Source: Bureau of Census