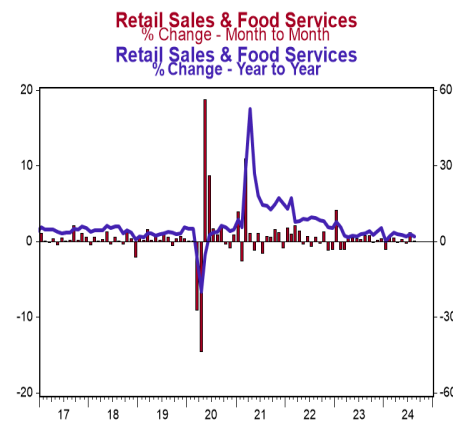


# August Retail Sales

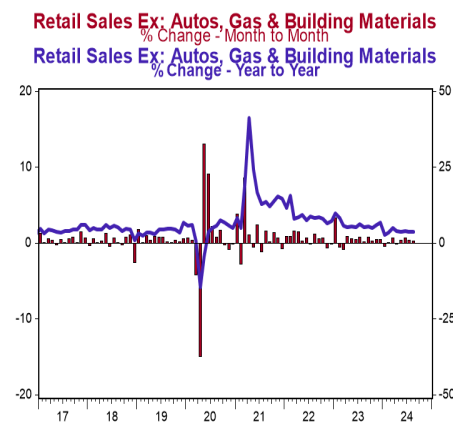
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- Retail sales rose 0.1% in August (+0.2% including revisions to prior months), beating the consensus expected decline of 0.2%. Retail sales are up 2.1% versus a year ago.
- Sales excluding autos rose 0.1% in August, lagging the consensus expected +0.2%. These sales are up 2.3% in the past year.
- The largest increase in August, by far, was for nonstore retailers (internet and mail-order). The largest declines were for gas stations and grocery stores.
- Sales excluding autos, building materials, and gas rose 0.2% 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 rose unexpectedly in August, eking out a 0.1% gain (+0.2% including revisions to prior months) versus a consensus expected decline of 0.2%. Despite the upward surprise, sales have been weak of late, and point to a softening economy that is starting to feel the lagged effects of tighter monetary policy. Looking at the details of the report, August’s gain was driven by a 1.4% increase at nonstore retailers (think internet and mail-order) which helped mask declining sales across the majority of categories. Overall, just five out of thirteen major categories rose in August. Auto sales ticked down 0.1%. Meanwhile, gas stations declined 1.2% as gas prices fell in August. Stripping these out along with the other often-volatile category for building materials, “core” sales rose 0.2% in August. These sales – which are crucial for estimating GDP – would be up at a respectable 4.4% annualized rate in the third quarter if unchanged in September. But much of that increase is due to one category; online purchases at nonstore retailers are up at a 13.5% annualized rate in the last three months. Things are not looking as good when looking at the service side of the economy. Sales at restaurants and bars – the only glimpse we get at services in the retail sales report – were unchanged in August and up 2.7% in the last year. It looks like tighter monetary policy is finally starting to weigh on this sector, with sales up at just 0.9% and 1.5% annualized rates in the last three and six months, respectively, lagging overall sales. Meanwhile, overall sales are up 2.1% in the last twelve months, which has not kept up with inflation; “real” (inflation-adjusted) retail sales are down 0.4% in the last year and have remained stagnant for three years since peaking in April 2021. This is consistent with our view of a slowing US economy that is starting to feel the lagged impacts from a drop in the M2 measure of the money supply from early 2022 through late 2023.



Source: Census Bureau/Haver Analytics



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| Retail Sales<br><i>All Data Seasonally Adjusted</i> | Aug-24 | Jul-24 | Jun-24 | 3-mo % Ch.<br><i>Annualized</i> | 6-mo % Ch.<br><i>annualized</i> | Yr to Yr<br><i>% Change</i> |
|---|--------|--------|--------|---------------------------------|---------------------------------|-----------------------------|
| <b>Retail Sales and Food Services</b>               | 0.1%   | 1.1%   | -0.3%  | 3.7%                            | 2.9%                            | 2.1%                        |
| <b>Ex Autos</b>                                     | 0.1%   | 0.4%   | 0.5%   | 4.1%                            | 3.4%                            | 2.3%                        |
| <b>Ex Autos and Building Materials</b>              | 0.1%   | 0.4%   | 0.4%   | 3.6%                            | 3.4%                            | 2.5%                        |
| <b>Ex Autos, Building Materials and Gasoline</b>    | 0.2%   | 0.4%   | 0.7%   | 5.3%                            | 4.4%                            | 3.6%                        |
| <b>Autos</b>  | -0.1%  | 4.4%   | -3.6%  | 2.3%                            | 0.9%                            | 1.3%                        |
| <b>Building Materials</b>                           | 0.1%   | 0.8%   | 1.5%   | 10.1%                           | 4.4%                            | -0.1%                       |
| <b>Gasoline</b>                                     | -1.2%  | 0.5%   | -2.1%  | -10.5%                          | -5.2%                           | -6.8%                       |

Source: Bureau of Census