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### August Retail Sales: Data Show Consumers Still Driving Growth

- › Retail sales rose by 0.4 percent in August after rising by 0.8 percent in July (initially reported up 0.7 percent)
- › Retail sales excluding autos were unchanged in August after rising by 1.0 percent in July (initially reported up 1.0 percent)
- › Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.3 percent in August

Total retail sales rose by 0.4 percent in August, besting our above-consensus forecast of a 0.3 percent increase, with ex-auto sales flat and control retail sales up by 0.3 percent. Ex-auto sales fell short of our forecast of a 0.1 percent increase and control sales matched our forecast. The initial estimate of a 0.7 percent increase in total retail sales in July is now reported to be a 0.8 percent increase. Sure, some of the details of both the revisions to the July data and the initial estimate of August sales are a bit on the curious side, but this is after all the retail sales data we're talking about. The data as they stand today suggest that when all is said, done, and revised, Q3 will be another strong quarter for consumer spending on goods. As was the case in Q2, consumer spending will be the main support for current quarter real GDP growth.

The details of the report on August retail sales are very much a mixed bag, with sales rising in only six of the 13 broad categories for which sales are reported while declining in seven of the broad categories. Sales at restaurants are reported to have fallen by 1.2 percent in August, the largest monthly decline since last September. Other categories for which sales are reported to have fallen in August include department stores, food & beverage stores, general merchandise stores, furniture stores, and apparel stores. Gasoline station sales are reported to have fallen by 0.9 percent, reflecting a sharp decline in retail pump prices. At least part of the decline in sales in the broad general merchandise category reflects lower gasoline prices, as this broad category includes the warehouse stores which also sell gasoline.

Sales revenue at motor vehicle dealers rose by 1.8 percent in August. Unit sales were strong in August, which in part reflects this year's early Labor Day holiday – part of the holiday weekend, which is traditionally a strong one for motor vehicle sales, fell in August this year. As such, it is very likely that some sales were in essence pulled forward from September, which will be reflected in the September retail sales data. It is also worth noting that this is one of the categories in the retail sales data in which the revisions to the initial estimate of sales in any given

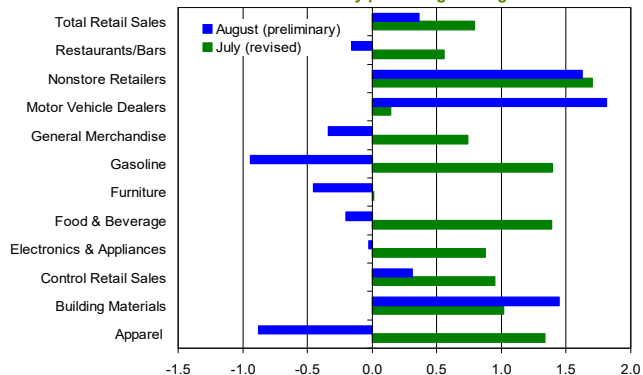
month are the largest. For instance, what had been reported as a 0.3 percent increase in June and a 0.7 percent decline in July are now reported as increases of 0.8 percent and 0.1 percent, respectively. In that sense, even allowing for the mix of sales between lower priced automobiles and higher priced SUVs/light trucks, the original estimate of August sales by motor vehicle dealers seems on the high side to us.

The most curious details of the report on August retail sales are found in the nonstore retailers category. This broad category includes online sales, which account for roughly 88 percent of total sales in the nonstore retailers category. Sales by nonstore retailers were originally reported to have risen by 2.8 percent in July, which would be consistent with the strength of Amazon Prime Day, which was actually a two-day event this year. That initial estimate has been revised significantly lower to show an increase of 1.7 percent, while the estimate of June sales was revised higher and the initial estimate for August shows a 1.6 percent increase. Though online sales are reported with a one-month lag, today's report shows online sales rose by 1.9 percent in June and by 1.8 percent in July. This continues the odd pattern in these series for these months – since Amazon Prime Day became a thing, 2015 is the only year for which the July increase in sales in these categories was larger than the June increase. Raise your hand if this makes sense to you.

If nothing else, the data on July and August retail sales illustrate the point that it is never a good idea to put too much weight on the retail sales data for any given month. It is often the case that if retail sales are notably strong (weak) in one month, the next month will show the opposite, and in such cases the average for the two months will be closer to "reality" than either month's data. So, despite the ominous headlines about trade disputes and the considerable volatility seen in the financial markets, the retail sales data tell us that consumer fundamentals remain sound, reflecting ongoing job and income growth, low interest rates, and still healthy consumer confidence. As such, consumer spending remains the key support for the U.S. economy.



**Retail Sales By Category**  
monthly percentage change



**Sales Continue To Rebound From Late-2018 Debacle**

