

US Retail Sales Slower But Still Strong In Q3

United States, Retail Sales, % Change headline/ex-autos/ex-auto-gas, m/m, August:

Actual: 0.1 / 0.3 / 0.2

Scotia: 0.3 / 0.3 / na

Consensus: 0.4 / 0.5 / 0.5

Prior: 0.7 / 0.9 / 0.9 (revised from 0.5 / 0.6 / 0.6)

- Retail sales surprised by coming in lower than consensus expectations during the month of August, although upward revisions helped and the overall quarter is still tracking fairly strongly.
- In real terms (given yesterday's CPI), sales were unchanged in August after July's strong rise.
- **In real terms using yesterday's CPI, sales are tracking a Q3 gain of about 3.4% q/q SAAR so far** by focusing upon the effects of Q2 data and the first two thirds of Q3 while assuming September comes in flat to focus upon the effects of what is known thus far. This follows growth in retail volumes of 5.6% in Q2. **A picture of slower but still solid consumption growth is unfolding.** In nominal terms, sales are tracking 5.3% higher in Q3 (+7.3% in Q2).
- The retail sales control group was pretty flat in August (+0.1%). That matters for PCE which is likely to come in pretty soft on August 28th albeit that retail sales under represent services.
- By category, decliners included clothing (-1.7% m/m) which isn't surprising following yesterday's price drop in CPI, vehicles and parts (-0.8% m/m), department stores (-1.0%) and furniture (-0.3%). Sales were flat for building materials and food/beverages. Sales were up in electronics (+0.4%), health/personal care (+0.5%), gas stations (+1.7%), sporting goods (+0.2%), eating/drinking establishments (+0.2%), non-store retailers (+0.7%) and 'miscellaneous' (+2.3%).
- On a weighted contributions basis, the softness was primarily due to vehicles and parts that subtracted 0.2% off headline sales, as well as clothing that subtracted about 0.1%. The only weighted bright spots came from gas stations (+0.1% addition to headline) and nonstore retailers (+0.1%). Other categories were flat contributors in weighted terms.

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