

## August Retail Sales

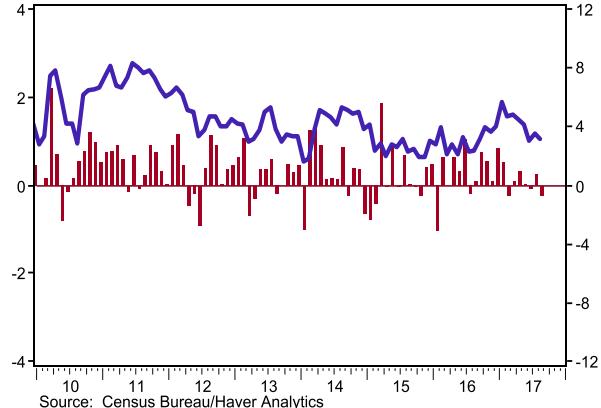
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- Retail sales declined 0.2% in August (-0.8% including revisions to prior months), coming in below the consensus expected gain of 0.1%. Retail sales are up 3.2% versus a year ago.
- Sales excluding autos rose 0.2% in August (-0.2% including revisions to prior months). The consensus expected a 0.5% gain. These sales are up 3.6% in the past year. Excluding gas, sales were down 0.4% in August but are up 2.9% from a year ago.
- The decline in sales in August was led by autos and non-store retailers (internet & mail-order). The largest gain was at gas stations.
- Sales excluding autos, building materials, and gas declined 0.1% in August (-0.5% including revisions to prior months). If unchanged in September, these sales will be up at a 1.3% annual rate in Q3 versus the Q2 average.

**Implications:** You can't forget about Hurricane Harvey when looking at the figures on retail sales in August. Retail sales fell short of consensus expectations for August and were revised lower for June and July. However, this doesn't mean consumers are throwing in the towel. Retail sales are still up 3.2% from a year ago and "core" sales, which exclude volatile sectors, like autos, building materials, and gas, are up 2.8%. Hurricane Harvey, which smashed Houston and surrounding areas late in the month, likely turned what would have been a gain in sales in August into a decline. Now, with Hurricane Irma striking Florida this month, we're at least a couple of months away from being able to see sales data that reflect the underlying trend. These hurricanes hurt sales in the very short run – who is going to buy a car or furniture right before a major storm? – but then sales can bounce in the months that follow, both due to temporary pent-up demand plus the purchase of replacements for what was destroyed. For example, carmakers reported sales at a 16.1 million annual rate in August, the slowest pace for any month since 2014. But sales should surge back to at least a 17 million annualized pace in the fourth quarter as vehicles totaled in the storm get replaced. The decline in sales in August itself was led by autos. In addition, non-store retailers, which includes mail-order and internet sales, fell 1.1%, the largest monthly drop in three years. These figures are volatile from month to month, so it could be statistical noise. Then again, it could also be consumers fixated on weather-related news, as well as making preparations, crowding-out time otherwise used to shop online. The largest gain in sales in August was for gas stations as gas prices rose due to Harvey. We'll likely see more growth in gas station sales in September due to Irma, before they drop later in the year as refineries get back to full speed and pump prices decline. When all is said and done and the effects of the hurricanes are fully behind us, we expect the data to show continued Plow Horse growth in consumer spending. Jobs and wages are still moving up, consumers' financial obligations are an unusually small part of their incomes, and serious debt delinquencies are down substantially from seven years ago.

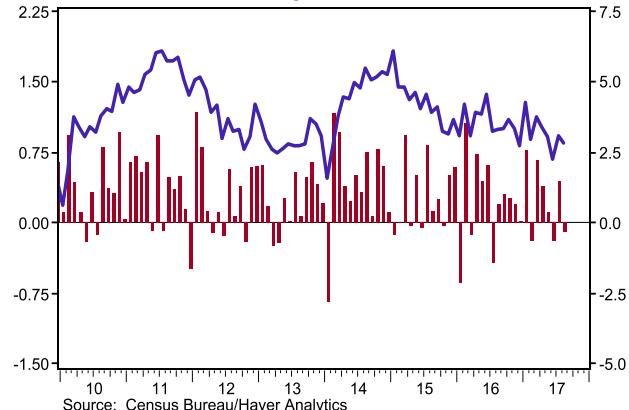
Retail Sales & Food Services  
 % Change - Month to Month

Retail Sales & Food Services  
 % Change - Year to Year



Retail Sales Ex: Autos, Gas & Building Materials  
 % Change - Month to Month

Retail Sales Ex: Autos, Gas & Building Materials  
 % Change - Year to Year



Retail Sales All Data Seasonally Adjusted	Aug-17	Jul-17	Jun-17	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Retail Sales and Food Services</b>						
Ex Autos	-0.2%	0.3%	-0.1%	0.1%	1.0%	3.2%
Ex Autos and Building Materials	0.2%	0.4%	-0.2%	1.3%	1.3%	3.6%
Ex Autos, Building Materials and Gasoline	0.2%	0.3%	-0.3%	0.8%	1.5%	3.2%
<b>Autos</b>	-0.1%	0.5%	-0.2%	0.8%	2.8%	2.8%
<b>Building Materials</b>	-1.6%	0.0%	0.4%	-4.7%	-0.1%	1.5%
<b>Gasoline</b>	-0.5%	0.9%	0.8%	5.0%	-1.8%	7.5%
	2.5%	-0.7%	-1.4%	1.4%	-8.4%	6.4%

Source: Bureau of Census