

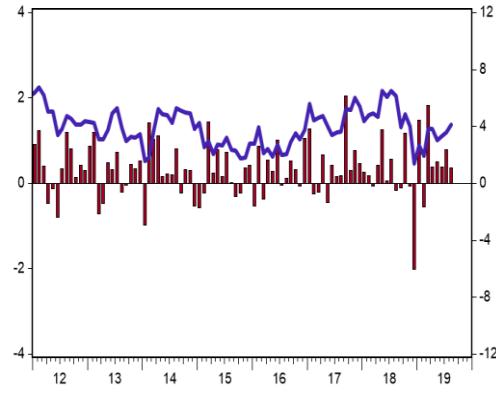
## August Retail Sales

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- Retail sales increased 0.4% in August, (+0.5% including revisions to prior months) beating the consensus expected gain of 0.2%. Retail sales are up 4.1% versus a year ago.
- Sales excluding autos were unchanged in August, coming in slightly below the consensus expected 0.1% gain. These sales are up 3.5% in the past year. Excluding gas, sales rose 0.5% in August and are up 4.7% from a year ago.
- The increase in sales in August was led by autos and non-store retailers (internet & mail order). Sales at restaurants and bars had the largest decline.
- Sales excluding autos, building materials, and gas were unchanged in August (-0.2% including revisions to prior months). If unchanged in September, these sales will be up at a 6.4% annual rate in Q3 versus the Q2 average.

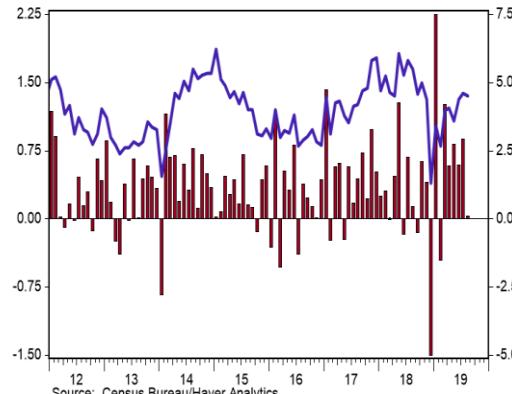
**Implications:** Add today's retail sales report to the litany of other positive news coming out on the US economy over the past few months. A truly "data dependent" Fed should not have cut rates in late July and would not be heading for another rate cut next week, like it has signaled and as the financial markets fully anticipate. Today's retail sales report shows the consumer is doing very well. Sales increased 0.4% in August, rising for the sixth consecutive month. The details of the report were a little more mixed than the overall headline would suggest as sales rose in only six of thirteen major categories, but there is no doubt the consumer is doing well. Autos and non-store retailers (think internet & mail order), led the way rising 1.8% and 1.6% in August respectively. Non-store sales are up 16.0% from a year ago, sit at record highs, and now make up 12.8% of overall retail sales, also a record. The largest decline in sales in August was for restaurants & bars, which had a 1.2% decline, the largest drop since September of last year. This drop may have been due to the approach of Hurricane Dorian late in the month, in which case they should rebound in the months ahead. "Core" sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were unchanged in August, but are up 4.5% from a year ago. And even with the flat reading in August, "core" sales are up 9.4% at an annualized rate since the start of 2019, the fastest eight-month pace of growth we have seen since record keeping began in 1992! Jobs and wages are moving up, companies and consumers continue to benefit from tax cuts, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. For these reasons, expect continued solid gains in retail sales in the year ahead. In other news today, on the inflation front, import prices fell 0.5%, while export prices declined 0.6% in August. In the past year, import prices are down 2.0%, while export prices are down 1.4%. We expect these inflation figures to move higher in the coming months.

Retail Sales & Food Services  
 % Change - Month to Month  
 Retail Sales & Food Services  
 % Change - Year to Year



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

Retail Sales All Data Seasonally Adjusted	Aug-19	Jul-19	Jun-19	3-mo % Ch. Annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Retail Sales and Food Services</b>	<b>0.4%</b>	<b>0.8%</b>	<b>0.4%</b>	<b>6.3%</b>	<b>8.8%</b>	<b>4.1%</b>
<b>Ex Autos</b>	<b>0.0%</b>	<b>1.0%</b>	<b>0.3%</b>	<b>5.2%</b>	<b>7.8%</b>	<b>3.5%</b>
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	<b>0.9%</b>	<b>0.2%</b>	<b>4.5%</b>	<b>8.2%</b>	<b>3.7%</b>
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.0%</b>	<b>0.9%</b>	<b>0.6%</b>	<b>6.1%</b>	<b>8.6%</b>	<b>4.5%</b>
<b>Autos</b>	<b>1.8%</b>	<b>0.1%</b>	<b>0.7%</b>	<b>10.7%</b>	<b>12.5%</b>	<b>6.8%</b>
<b>Building Materials</b>	<b>1.4%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>13.6%</b>	<b>2.7%</b>	<b>1.0%</b>
<b>Gasoline</b>	<b>-0.9%</b>	<b>1.4%</b>	<b>-2.5%</b>	<b>-8.0%</b>	<b>5.2%</b>	<b>-2.3%</b>

Source: Bureau of Census

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