TD Economics

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Data Release: Solid retail outlays paint brighter picture of consumer spending

- U.S. retail sales grew by 0.6% M/M in August, bang on market expectations. This month's gain came on top of strong positive revisions to both July (+0.3% M/M from 0.0% previously) and June (+0.4% M/M from +0.2% previously).
- Core retail sales (ex-autos, ex-gasoline) came in at 0.5% M/M in August, also meeting market expectations. In addition, the reading for July was revised higher (+0.3% M/M from +0.1% previously).
- Gains were observed in 11 of 13 subcomponents on the month. The largest gains were in miscellaneous stores (+2.5% M/M), motor vehicles and parts (+1.5%), building materials (+1.4%), and sporting goods/books/music stores (+0.9%).
- The only categories to see a fall were gasoline stations (-0.8% M/M), reflecting the drop in oil prices, and general merchandise spending (-0.1%).

Key Implications

- This was a particularly strong report. The positive revisions to prior months help allay some of the mystery surrounding the U.S. consumer. While prior reports pointed to decelerating consumer spending amidst otherwise strong economic growth, the revisions paint a much brighter picture.
- With gasoline prices falling through August, consumers clearly had more cash to spend on other items. With consumer confidence sitting at a post-crisis high, sustained job gains, and wage growth set to pick up later this year, the next several months augur well for retailers.
- The revisions, as well as the bounce upward in August, point to stronger consumer spending in the third quarter than previously anticipated. This suggests upside risk to our current call for 3.1% real GDP growth in the third quarter.

Andrew Labelle,
Economist