U.S. Data Review

- Retail sales: broad-based increase in activity in August

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Retail Sales

- Following a decline of 0.5 percent in the prior month, retail sales rebounded 1.2 percent in August (notably firmer than the median expectation of +0.8 percent from the Bloomberg economist survey), with 12 of 13 categories registering increases. On a year-over-year basis, headline activity rose 6.0 percent – up 1.0 percentage point from the preceding month and within the upper end of the range displayed over the past several years. Concurrently, transactions excluding motor vehicle/parts dealers and gasoline stations posted a same-sized advance of 1.2 percent, the largest one-month increase since September 2024 (+5.6 percent year-over-year, up from +4.7 percent in July). Moreover, transactions in the retail control group, which correlate with consumer outlays for goods in the GDP accounts, recorded a faster-than-expected rise of 1.4 percent (also the firmest observation since September 2024; +5.6 percent year-over-year, up from +4.5 percent in the prior month). While the latest results suggest that consumer spending exhibited resilience in Q3 after a brief hiccup in July, we still suspect that household spending could decelerate into year-end (see below).

- In part, the jump in headline activity was driven by an increase of 3.1 percent in sales at gasoline stations – reflective of elevated prices at the pump. Relatedly, the gasoline component of the CPI rose 3.9 percent in August (published September 11). Thus, adjusting the increase in sales by said price index suggests that real activity actually eased (i.e., the rise in sales reflected higher prices rather than an increase in consumption).

Retail Sales -- Monthly Percent Change

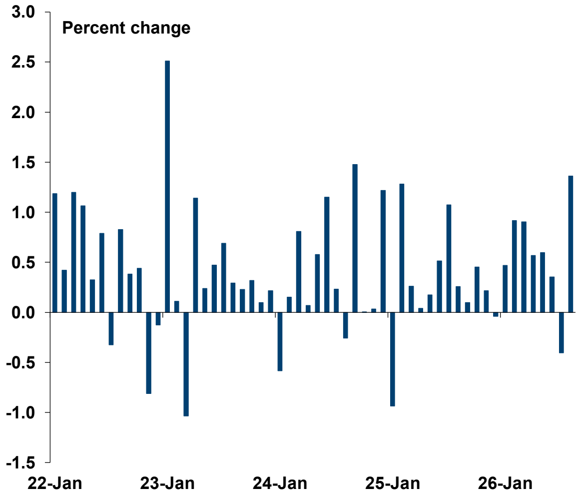
	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Total	0.7	0.9	0.3	-0.5	1.2
Ex.-Autos	0.9	0.9	-0.2	-0.2	1.4
Ex.-Autos, Ex.-Gas	0.6	0.7	0.4	-0.3	1.2
Retail Control*	0.6	0.6	0.4	-0.4	1.4
Autos	-0.4	1.0	2.5	-1.8	0.6
Gasoline	3.7	2.8	-5.5	-0.2	3.1
Clothing	-0.5	1.0	-0.7	1.3	0.7
General Merchandise	0.0	0.4	0.0	0.5	0.7
Nonstore**	1.5	0.5	1.0	-1.7	2.6

** Retail sales excluding those from food services and drinking places; motor vehicle dealers; gasoline stations; and building materials, garden equipment, and supply dealers.*

*** Primarily online and catalog sales; also includes sales by fuel-oil dealers.*

Source: U.S. Census Bureau via Haver Analytics

Retail Sales: Control Group



Source: U.S. Census Bureau via Haver Analytics

- Delving further into the internals of the report, performance across categories outside of gasoline was mostly firm. Standing out, activity at nonstore retailers – primarily online and catalog sales – jumped 2.6 percent (+9.9 percent year-over-year). At the same time, sales at miscellaneous store retailers and electronics and appliance stores advanced 1.9 and 1.6 percent, respectively (+14.0 and +7.8 percent year-over-year). Contrastingly, transactions at building material, garden equipment, and supplies dealers eased 0.2 percent, the only major category to register a decline in August (+5.1 percent year-over-year). Meanwhile, sales at food services and drinking places – the only service-related area in the retail sales report – increased a firm 1.2 percent (+5.8 percent year-over-year).

- Taking the latest results into consideration, we expect growth in real consumer spending in Q3 to be in the vicinity of 2.0 percent (annual rate). That expectation, if realized, would be consistent with GDP growth also in the low-2's. That said, we do foresee some moderation in household outlays in the closing months of 2026. As previously noted, high gasoline prices are high – and likely stretching budgets (e.g., the average price of regular-grade gasoline in the U.S. is at $4.37 per gallon as of September 15, up from the 2026 low of $2.80), while sticky inflation has eroded wage gains. Consumers have compensated for these developments by drawing on savings (the personal saving rate of 3.0 percent in July was well below the pre-pandemic [2015-2019] average exceeding six percent) and relying on credit cards – both of which strike us as unsustainable in the longer term.