

Modest Growth in Retail Sales in August as Consumers Continue to Increase Their Spending

- Retail sales increased a modest 0.1% in August, with core sales up 0.2%. Sales growth slowed from a strong July.
- Sales are increasing at a solid pace in 2024, but growth has slowed from 2023.
- The solid labor market is the lead driver of rising consumer spending, although job growth is slowing. Other drivers are mixed.
- Lower interest rates should support continued growth in consumer spending through the rest of this year and in 2025.

Retail sales rose 0.1% in August from July, according to the advance estimate from the Census Bureau. Sales excluding autos were up 0.1%, and sales excluding autos and gasoline (core sales) were up 0.2%. The modest gains in August followed larger increases in July, with total sales up 1.1% (revised higher from 1.0%), sales excluding autos up 0.4% (unrevised), and core sales excluding autos and gasoline up 0.4% (also unrevised). Control sales—sales excluding food service, autos, gasoline, and building materials, and which go into nominal consumer spending in GDP—rose 0.3% in August, following a 0.4% increase in July.

On a year-ago basis total retail sales were up 2.1% in August, with core sales up a strong 3.3% and control sales up 3.9%. A drop in gasoline prices have weighed on growth in overall retail sales on a year-over-year basis.

Retail sales growth slowed from July to August, and looking through the volatility gains in recent months have been solid. Over the course of 2024 core retail sales—excluding autos and gasoline—have increased at an annualized rate of 2.4%. This is slower than the pace in 2023 of 5.6%, but is roughly consistent with underlying growth in household income given increasing employment and pay. Job and wage gains have slowed this year, weighing on growth in retail sales. But the labor market is still solid, and as long as it continues to hold up consumer spending will increase and the current economic expansion will continue.

Slowing inflation is also supporting consumer spending. Another positive heading into the fall is rising household wealth, particularly for upper-income households, with rising stock prices and home values. But there are drags as well. Credit quality has deteriorated somewhat, primarily for lower- and middle-income consumers. A need to increase saving will also weigh on near-term growth in retail sales.

And interest rates remain high, although they are starting to come down, and will fall further as the Federal Open Market Committee begins to cut its short-term policy rate, the fed funds rate. PNC expects a 25-basis point cut in the fed funds rate at tomorrow's FOMC meeting, with additional rate cuts to come later in 2024 and

Gus Faucher
Chief Economist

Jay Hawkins
Senior Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

in 2025. Overall, the outlook is for modest growth in consumer spending through the rest of this year and in 2025.

Results were mixed across segments. Sales of motor vehicles and parts fell 0.1% over the month, after increasing 4.4% in July following the resolution of the CDK Global cyberattack that hit auto dealers and prevented some sales from going through in June. Sales at gasoline stations fell 1.2% with lower fuel prices. Sales were up for miscellaneous retail (1.7%), nonstore retailers (primarily online sales, up 1.4%), and drug stores (up 0.7%). But sales fell for electronics and appliances (down 1.1%) and furniture and home furnishings (down 0.7%) with the soft housing market. Grocery stores sales were down 0.6%, clothing and accessory stores sales were down 0.7%, and general merchandise store sales were down 0.3%. Sales at restaurants and bars were flat on the month.

PNC Economics

economics@pnc.com

Visit pnc.com/economicreports for more information from PNC Economics.