



## Retail Sales Growth Solid in August, Although Some of the Increase Came From Higher Prices; Consumer Drivers Are Mixed

### Headlines

- Retail sales increased 0.6% in August, with solid details.
- Sales were up 5.0% from a year earlier.
- Some of the increase in August came from higher prices.
- The fundamentals for consumer spending are mixed heading into the fall.
- PNC expects the FOMC to cut the fed funds rate by 0.25 percentage point at its meeting tomorrow.

### Details

Retail sales increased 0.6% in August from July, according to the Census Bureau. Sales growth in July was revised slightly higher, from 0.5% to 0.6%. Sales excluding autos were up 0.7% in August, as were sales excluding autos and gasoline. Control sales—sales excluding autos and parts, gasoline, food service and building materials, and which go into nominal consumer goods spending in GDP—also increased 0.7% over the month.

On a year-ago basis total retail sales were up 5.0% in August, compared to 4.1% growth in July and 4.5% growth in June. Sales excluding autos were up 4.9%, with sales excluding autos and gas up 5.4%. Control sales rose 6.0% from a year earlier.

Consumers continue to increase their summer in the second half of 2025, although some of the increase is coming from higher prices. The consumer price index rose 0.4% in August, with goods prices up 0.5%. But even after accounting for prices real spending is increasing, albeit slowly.

The drivers for near-term spending growth are mixed. Job growth is weak, but wages continue to increase more quickly than prices. However, higher inflation from tariffs will be an increasing drag on consumer spending growth later this year. The lift from household wealth is fading with home prices now falling, but the strong stock market is a positive, particularly for upper-income households. Near-term cuts to the federal funds rate should reduce borrowing costs for some big-ticket items, such as cars, although mortgage rates will remain elevated. Overall the soft housing market is a drag on sales of housing-related items like furniture and building materials. But restaurant and bar sales jumped 0.7% in August, a positive sign, as consumer tend to spend more on eating out when they feel financially secure.

PNC expects the Federal Open Market Committee to cut the federal funds rate by 0.25 percentage point at its meeting tomorrow, taking it to a range of 4.00% to 4.25%. This would be the first fed funds rate cut since the end of 2024. Although inflation remains above the central bank's 2% objective, and is picking up as businesses pass along their higher tariff costs, the Fed wants to provide support to the rapidly softening labor market. Job growth in the three months through August averaged less than 30,000, the slowest pace since the worst of the pandemic.

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Results were mixed across segments. Gasoline sales rose 0.5%, mostly due to higher prices. Sales of autos and parts rose 0.5% after jumping 1.7% in July; there have been big swings in auto sales in recent months as buyers have tried to time purchases to avoid tariff-related price hikes. Sales rose 1.0% at clothing stores and 0.8% at specialty stores. But sales of general merchandise were down 0.1%. Housing-related sales were also weak as the housing market remains very soft; sales of furniture and home furnishings were down 0.3% in August, with sales of building materials up just 0.1%. Sales at non-store retailers, mostly online, jumped 2.0% in August.

**Please reach out with any questions,**

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