

Economic Analysis

August Retail Sales Confirm Strong 3Q15

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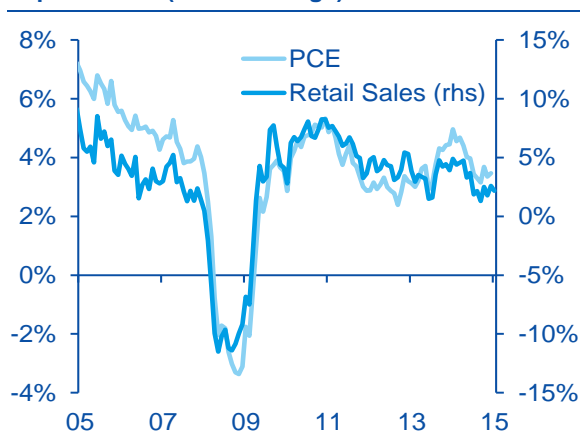
- **Retail sales rose 0.2% MoM in August with July revised upward to 0.7% MoM**
- **Purchases of goods rose in 10 out of 13 categories showing broad-based strength**
- **Core retail sales were up for the sixth consecutive month, rising 0.3% MoM**

In August, retail sales rose 0.2% MoM, as greater consumer confidence gave way to growing domestic demand. Estimates for July experienced a broad upward revision coming in at 0.7% MoM. Taken together, July and August’s retail sales reports provide solid footing for a strong third quarter and show that consumers are finally spending their savings from low oil prices.

The rise in retail sales was broad-based. Sales in 10 out of 13 categories rose as consumers increased spending on motor vehicles and parts, clothing stores, and restaurants, among others. This rise in discretionary spending indicates that consumers may be taking advantage of the strong dollar and its impact on the price of imported goods. Sales declined for gasoline stations, building materials and supplies dealers, and furniture stores. Gasoline station receipts tumbled 1.9% MoM—their largest drop since January—due to continued declines in oil prices. However, strong gains in the motor vehicle and parts category offset this drop, rising 0.7% MoM. Core retail sales excluding autos and gas were up for the sixth consecutive month, rising to 0.3% MoM.

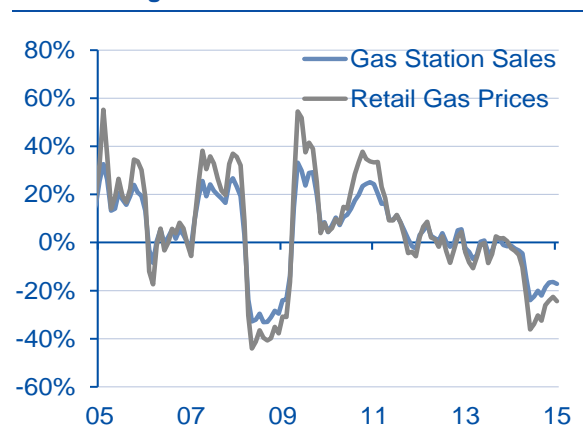
This strong retail sales report points to a healthy and confident consumer and hints that the economy is gaining momentum as we wrap up 3Q15. Along with housing and employment data, consumption is another encouraging sign that may lead the Fed to consider an interest rate hike as soon as this week. In addition, wages seem to be on an upward trend, having reached their fastest monthly pace since January. Further gains in income should contribute to a boost in consumer spending for the remainder of the year.

Chart 1
Retail Sales and Personal Consumption Expenditures (YoY %Change)



Source: US Census Bureau, BEA, & BBVA Research

Chart 2
Gas Prices and Sales (YoY %Change)



Source: US Census Bureau, EIA, & BBVA Research

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