



Economics Group

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August Retail Sales Start Showing Storm Damage

Headline retail sales dropped 0.2 percent in August, as hurricane Harvey hit multiple categories. The July print was revised lower to 0.3 percent. The prognosis for PCE in Q3 GDP growth has certainly weakened.

Gas Prices and Shuddered Stores Impact August Sales

Advanced retail sales for August marked the beginning of several months in which retail sales data will show impacts from hurricane Harvey on Southeast Texas. Some early prepping by Floridians for Irma also may have been included in the surge of spending at grocery stores. Most sales showed steep declines from lost selling days at the end of the month, with auto sales showing the sharpest drop.

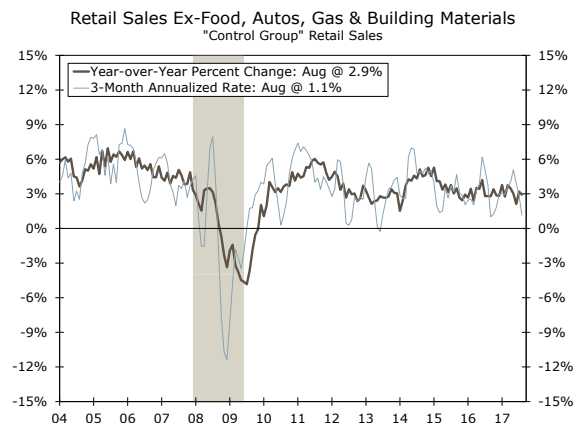
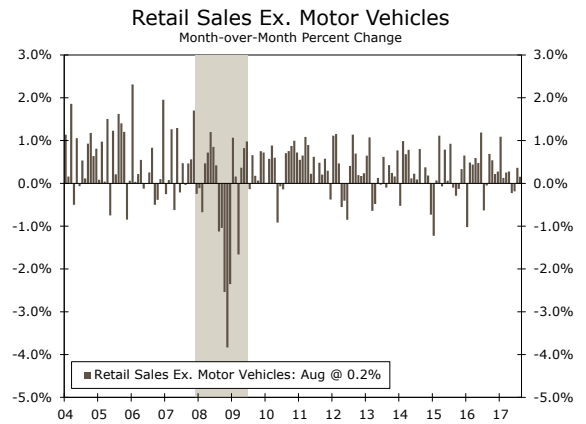
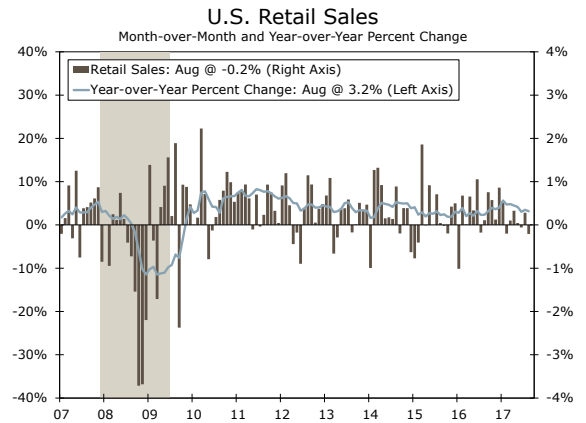
Downward revisions to the previous month added salt to the wound this morning. July's 0.6 percent rise first reported was revised to 0.3 percent, which wipes out some of the comforting buffer that Q3 PCE had built up to lessen the blow from the two major hurricanes that will inevitably cut into personal consumption growth in the GDP calculations. Control group sales also declined by 0.2 percent in August and the 3-month annualized rate of 1.1 percent is the slowest pace so far this year.

Auto sales were clearly the hardest hit in August. Sales of motor vehicles and parts declined 1.6 percent in August after a flat reading in July. The decline in auto sales trimmed 0.3 percentage points from headline growth, which was easily the largest drag from a single category in several months. Sales excluding motor vehicles were up slightly in August. The decline in auto sales eclipsed the boost from the 2.5 percent rise at gas stations. We were expecting gasoline sales to surge, due both to stocking up in storm affected areas and the surge in gasoline prices. Harvey slammed straight into the heart of the oil industry and several pipelines delivering fuel to the east coast were offline for several days, causing pump prices to rise in areas not directly hit by the storms.

August sales at building supply stores were somewhat of a wildcard, as Harvey made landfall on August 26, closing stores for the entire last week of August. While some rebuilding purchases may have been made in August, the 0.5 percent decline in building material sales on the month suggest most of that spending took place in September. Prepping for Hurricane Irma will also likely boost this category in September.

Sales were up for miscellaneous retail stores, grocery stores and eating and drinking places on the month, though non-store retailers' sales dropped on the month. Non-store retailers' sales, which include online shopping, surged 1.8 percent in July, so the August drop is likely payback. Amazon's 'Prime Day' was on July 10, which may have made for tougher month-to-month comparisons in August. The category is up 8 percent over the year.

In the first of many indicators this fall to be impacted by hurricanes, the August retail sales report showed the surge in gasoline sales was erased by the lost business from other categories in August. In September, building supply stores will likely see much stronger sales as Houston and the entire state of Florida rebuild and recover from major back-to-back storms.



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