BUSINESS

GAS, CARS FUEL RETAIL RISE

But rate of 0.9 percent shows that consumers remain cautious about spending

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Associated Press

WASHINGTON — U.S. retail sales rose in August from July because consumers paid higher gas prices and bought more cars and trucks, but they were more cautious elsewhere.

Retail sales increased a seasonally adjusted 0.9 percent, the Commerce Department said Friday. Gas station sales jumped 5.5 percent, the most in nearly three years and a reflection of sharp price increases. Demand for autos increased 1.7 percent.

Outside those categories, sales rose only 0.1 percent, less than July's 0.8 percent gain. Sales at general merchandise, clothing and electronic stores fell, while those at grocery stores, sporting goods stores and online retailers were unchanged.

Gasoline sales are heavily influenced by price, and auto sales represent major purchases. Excluding those categories offers more clarity on consumers' willingness to spend.

"This has to go down as a weak report," said Paul Dales, senior U.S. economist at Capital Economics. "Most of the spending in August was on products that households have to buy, such as gasoline, not items they like to buy, such as new TVs."

The retail sales report is the government's first look each month at consumer spending, which drives roughly 70 percent of economic activity. Consumer spending has increased at a slow pace this year. That has dragged on the economy and kept businesses from hiring.

Higher gas costs also drove up consumer prices by the most in three years, the Labor Department said in a separate report. But excluding energy prices, inflation was mild.

Consumer prices rose 0.6 percent in August, the department said. Gas prices increased 9 percent and accounted for 80 percent of the increase. Outside food and energy, prices rose only 0.1 percent.

Overall consumer prices have increased 1.7 percent in the past year, well below the Federal Reserve's inflation target.

Automakers earlier this month reported the best sales in three years, after seeing rising demand for pickup trucks.

The government's retail sales data contrasted with reports from the nation's largest retail chains. Many said things picked up in August, driven partly by back-to-school purchases.