BUSINESS

Retail sales increase in August

Inventories up, car sales down

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Retail sales climbed in August, reflecting back-to-school activity, but auto sales remained weak as the economy continues to chug along, analysts said Tuesday.

The Commerce Department said retail sales rose 0.4 percent, essentially matching the July gain of 0.3 percent and slightly above private-sector expectations. Motor vehicle sales fell 0.7 percent, and sales at gasoline stations jumped 1.9 percent. Sales excluding motor vehicle and parts dealers and gasoline stations rose 0.5 percent.

Overall, it was the biggest gain since March.

"An increase in retail sales in both July and August is encouraging and suggests that the economic recovery continues," Commerce Secretary Gary Locke said. "While these data show that consumers are spending, the administration recognizes that Americans are still struggling."

A separate Commerce report said inventories held by businesses increased in July by the largest amount in two years while sales rebounded after two months of declines.



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Signs in the window of an American Apparel Store offer discounts and jobs in Santa Monica, Calif.

The strength in August retail sales came in a number of areas from department stores to clothing stores and sporting goods outlets. However, bigger-ticket items such as furniture and electronics declined.

Analysts cautioned that the August retail sales figures might not indicate a trend. Discounts on back-to-school merchandise helped drive gains of lower-priced items, such as clothing, they noted.

"August is a big back-to-school month and retailers made the most of it," Wells Fargo Securities economists Mark Vitner and Tim Quinlan said in a research report. Sales at department stores climbed 0.4 percent, and clothing stores increased by 1.2 percent, they said.

Auto sales, however, dropped.

"While sales to dealers have remained steady, this dip in sales to consumers may be a prelude to production cuts at auto makers later this year," Vitner and Quinlan said.

Sales were up 1.9 percent at gasoline stations, an increase that reflected higher pump prices.