Retail sales on the rise again

Up 0.6% in Aug. as consumers gain confidence

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Consumers stepped up their purchases in August as retail sales grew at the fastest pace since April, the Commerce Department said Friday.

Retail sales increased 0.6% in August. Excluding booming auto purchases, a volatile category, sales rose 0.3%.

More good news: The growth in sales in July was revised to 0.3% from virtually no change in the government's previous estimate.

And in another sign Friday that consumers may be gaining confidence in the economic recovery, the Thomson Reuters/University of Michigan index of consumer sentiment this month rose to its highest level since July 2013.

In August, sales at auto dealers and furniture, electronics and clothing stores rose, while department store sales declined. Gasoline station sales fell in a month that saw declining gasoline prices.

Americans are splurging on cars and SUVs after deferring such purchases during the economic downturn. Auto sales reached an eight-year high of 17.5 million last month, according to an Autodata report last week.

But other core measures of consumer discretionary spending generally have been disappointing this year.

After slumping earlier in the year amid harsh winter weather, sales rebounded moderately in the spring but did not surge as much as economists hoped and were virtually unchanged in July.

Economists expected higher household wealth — from a stock market rally and rising home prices — and lower debt to fuel a pickup in spending this year. But annual wage increases have been stuck at about 2% through most of the 5-year-old recovery, and analysts say faster pay increases are needed to spur a significant jump in spending.

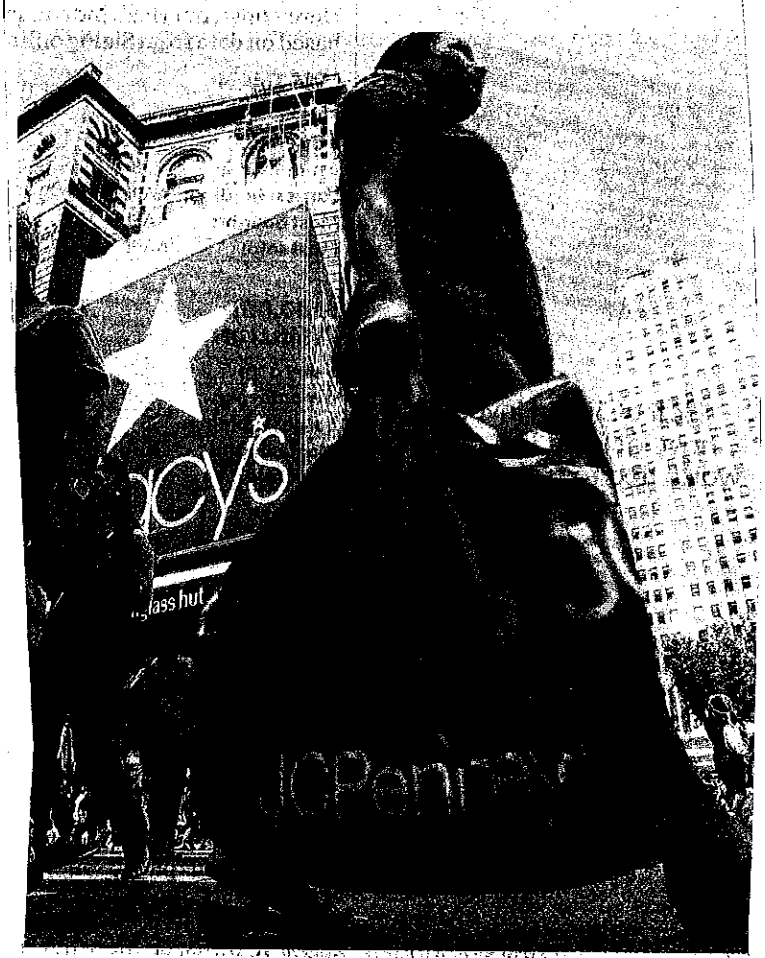
Still, the strong report for August and the revisions for the previous month suggest Americans are spending more briskly than previously believed.

IHS Global Insight economist Chris Christopher said the improved consumer mood should help back-to-school sales in the remainder of this month.

Meanwhile, the holiday shopping season is looking "significantly better than last year's relatively poor performance," Christopher said.

Paul Dales, senior U.S. economist at Capital Economics, called the new data "quite positive."

"With further jobs gains, rises in income growth and a loosening in credit conditions in the pipeline, consumption growth should strengthen in the fourth quarter and into next year, too," he said.



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2014 RETAIL SALES TRENDS

Change in retail sales by kind of business, Jan.-Aug. compared with 2013's first eight months:

MOTOR VEHICLES, PARTS DEALERS	7.5%
NON-STORE RETAILERS	6.5%
HEALTH, PERSONAL CARE	5.9%
FOOD SERVICES, DRINKING PLACES	4.9%
BUILDING MATERIALS, GARDEN EQUIPMENT	4.4%
FOOD, BEVERAGE	2.8%
FURNITURE, HOME FURNISHINGS	2.6%
CLOTHING, ACCESSORIES	1.4%
GENERAL MERCHANDISE	1.4%
ELECTRONICS, APPLIANCES	1.2%
GASOLINE STATIONS	-1.2%
SPORTING GOODS, HOBBY, BOOKS	-2.7%
ALL RETAIL & FOOD SERVICES	3.7%

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