Retail sales receive August boost

Economists warn gains may be short-lived amid ongoing concerns

By Christopher S. Rugaber
THE ASSOCIATED PRESS

WASHINGTON — Retail sales jumped in August by the largest amount in more than three years, spurred by widespread gains beyond the expected increases of auto sales from the government's Cash for Clunkers program.

And while inflation at the wholesale level also rose last month as gasoline prices surged the most in a decade, the retail sales report is a sign that consumers may be less cautious about spending as the economy recovers. Consumer spending is closely watched because it accounts for about 70 percent of the nation's economic activity.

Economists were encouraged by the reports, but warned that jobs remain scarce and credit tight, making it difficult for consumers to mount sustained increases in spending.

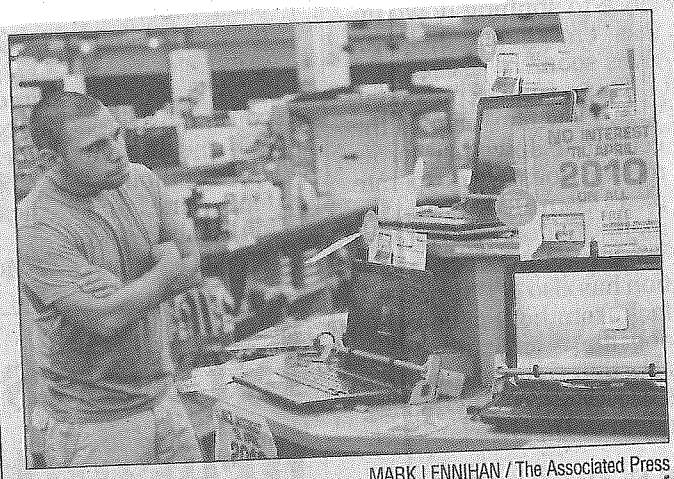
"Big gains may be short-lived as the weak labor market will weigh on consumers into next year," Adam York, an economist at Wells Fargo Securities, wrote in a note to clients.

The Commerce Department said Tuesday that retail sales rose a seasonally adjusted 2.7 percent last month, after falling 0.2 percent in July. That's the largest gain in 3½ years and beat analysts' expectations of a 2 percent increase, according to a survey by Thomson Reuters.

Excluding autos, sales rose 1.1 percent, ahead of an expected 0.4 percent jump. Excluding autos and gas, sales rose 0.6 percent, the most in six months.

Wall Street rose in afternoon trading. The Dow Jones industrial average traded for a time over 9,700 and closed up 57 points at 9,683, a new high for the year.

In a separate report, the Labor Department said wholesale prices rose 1.7 percent in August, more than double the expected 0.8 percent rise.



MARK LENNIHAN / The Associated Press

Jeff Buzhaker prices Acer laptop computers at a P.C. Richard & Son appliance store in New York.