US retail sales rose solid 0.8 percent in July

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WASHINGTON — Hopes that the economy may emerge from its slump got a lift Tuesday from a report that Americans increased their spending at retailers in July by the most in five months.

From cars, electronics and sporting goods to furniture, building supplies and garden equipment, every major category of spending rose last month. It was a heartening start to the second half of the year after consumers had reduced their retail spending in each month of the April-June quarter.

Retail sales rose 0.8 percent from June to July, the Commerce Department said. It was the sharpest increase since February.

The stepped-up spending was evident in Home Depot's report Tuesday that its customers spent more on remodeling and repair projects in the second quarter. Those gains suggested that consumers are feeling more optimistic about the recovery of the housing market.

Americans appear to be taking their cue from the economy's modest but steady improvements.

Employers added 163,000 jobs in July, the best month for job growth since February. Home prices are up. The value of U.S. exports reached a record high last month. U.S. consumers are expressing more confidence. Stock indexes are near their highs for the year. And consumer confidence rose in July for the first time in five months.

"It looks like lower gas prices, a nice rally in stocks and stronger job growth ... helped boost consumer spending" in July said Jennifer Lee, senior economist at BMO Capital Markets.

Some economists cautioned that consumers will likely sustain their spending increases only if hiring continues to strengthen. In the meantime, many remain anxious about the job market and held back by slow wage gains and high debts.

"Americans are not throwing caution to the wind," said Chris Christopher, a senior economist at IHS Global Insight.

A brighter outlook for the economy might also make the Federal Reserve hesitant to take further action to boost growth when its policy committee meets in September.

Still, the overall economy remains subpar. It grew at an annual rate of just 1.5 percent from April through June. That's far too weak to lower the unemployment rate, which ticked up in July to 8.3 percent.