Larger-Than-Expected August Rebound in Retail Sales As Consumers Hold Up

Gus Faucher
augustine.faucher@pnc.com

PNC Economics
economics@pnc.com

Headlines

- **Retail sales jumped 1.2% in August. The timing of Amazon's Prime Days provided some of the boost, but the details were solidly positive.**
- **The fundamentals for consumer spending are broadly negative, and risks are to the downside.**
- **PNC expects slower growth in consumer spending in the months ahead.**

Details

Retail sales jumped 1.2% in August from July, according to the advance release from the Census Bureau (Figure 1). This was better than the consensus expectation for an increase of 0.8%. These numbers are not adjusted for price changes. **Retail sales fell 0.5% in July (revised from a decline of 0.6%) after Amazon moved its Prime Days promotion to June in 2026 from July in 2025; this shift boosted seasonally-adjusted retail sales growth in August.**

The details of the report were solid, with lots of moving pieces. Sales at gasoline stations jumped 3.1% over the month on higher gas prices. Sales of autos and parts rose 0.6%, making up only about one-third of July's decline. **Core sales, excluding autos and gasoline, rose 1.2%.**

Control retail sales—sales excluding autos, parts, gasoline, food service, and building materials, and which goes into nominal consumer spending in GDP—rose 1.4%, after falling 0.4% in July (Figure 2).

Nonstore retail sales, primarily online sales, jumped 2.6% in August, after falling 1.7% in July and increasing 1.0% in June. Over the past four months, smoothing out the impact of the Prime Days change, online sales rose an average of 0.6% per month, slightly slower than the pace over the similar period in 2025.

On a year-ago basis overall retail sales were up 6.0%, with core sales up 5.6%, both solid gains. Control sales were up 5.6%, consistent with the pace of the last few years.

Consumers are holding up in the summer of 2026, despite drags from high gasoline prices, tariffs, rising interest rates, and a labor market that has slowed somewhat from a couple of years ago. Larger tax refunds earlier in 2026, courtesy of the One Big Beautiful Bill Act, supported spending growth in the spring and early summer, but that positive driver has faded.

Consumer spending growth is likely to slow in the months ahead but remain positive. Job growth has picked up somewhat this year from last, although wage growth is easing. High gasoline prices remain a drag, and expected Federal Reserve fed funds rate increases will raise borrowing costs for credit cards and auto loans. A soft housing market is weighing on sales of building materials, furniture,

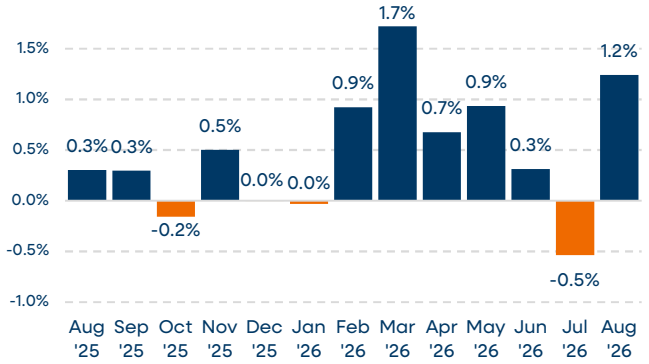
and other housing-related items. But the strong stock market is supporting spending by wealthier households.

Risks to consumer spending are weighted to the downside. Gasoline prices have moved higher in September, and if they remain elevated they will become more of a headwind for sales. And with stock gains powering much of the growth in spending, a large equity market correction would turn this positive household wealth effect into a negative.

PNC expects the Federal Open Market Committee to raise the federal funds rate this afternoon by 25 basis points to a range of 3.75% to 4.00%, with two additional rate hikes likely to come in the months ahead. The higher fed funds rate will translate into higher rates on credit card debt and auto loans.

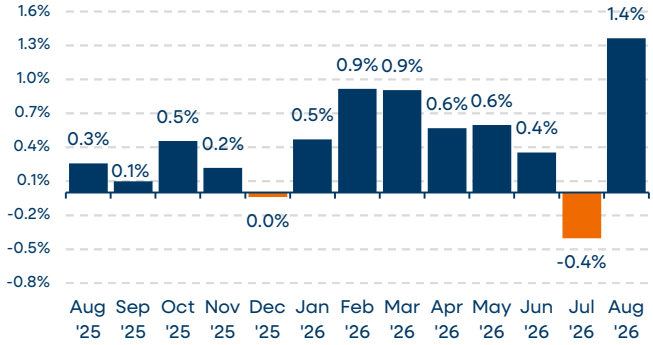
There were gains in most segments in August. Sales at restaurants and bars jumped 1.2% over the month and were up 5.8% on a year-ago basis in August. If consumers were starting to buckle, this is a category where weakness would show up first. There were solid gains in spending at electronics and appliances stores (up 1.6%), specialty stores (1.2%), home furnishings stores (0.9%), general merchandise stores (0.7%), clothing and accessories stores (0.7%), and grocery stores (0.5%). The only decline was for building materials stores, down 0.2%.

Figure 1: Retail sales growth (% chg., m/m)



Sources: Census, PNC

Figure 2: Retail sales control group growth (% chg., m/m)



Sources: Census, PNC

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