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Retail Sales

August sales are mildly weaker than expected, holding steady (Consensus: +0.2%; Decision Economics: +0.5%), with the ex-auto figure up just 0.1% (Consensus: +0.2%; Decision Economics: +0.4%). Ex-auto figures for both July (+0.3% vs +0.5%) and June (+0.1% vs +0.2%) were revised down.

The effect of the surprises may be to reduce Q3 GDP forecasts slightly, but the impact will be contained, since the important sales figure for personal consumption estimates--the total ex-autos, gasoline, and building materials--was not too drastically different from expectations, rising 0.1% in August, and with revisions limited to July (+0.3% vs +0.4%).

The message on the general tone of spending was largely neutral--painting the same sort of mixed, but not seriously pressured, picture as seen in many recent months. Some discretionary categories were stable-to-upbeat: general merchandise (+0.1%), electronics (+0.5%), sporting goods (+2.4%, after -1.1% last month), while others were softer: clothing (-0.7%), furniture (-0.2%).

That sort of mix is nothing new lately, and continues to be marked by an absence either of overt retrenchment or exuberance. Of course, there would ideally be some more-solid accelerations, or a broader range of increases of any type--but nothing is disturbing the picture of a two-track consumer sector, with some households behaving about "normally," and others--in larger numbers than "normal"--much more constrained.

What will change that, of course, is stronger employment growth. The Fed remains in the position of debating whether further "accommodation" will stimulate more spending, or whether real-side distortions are limiting employment growth independently so that demand-side stimulus can never take hold.

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