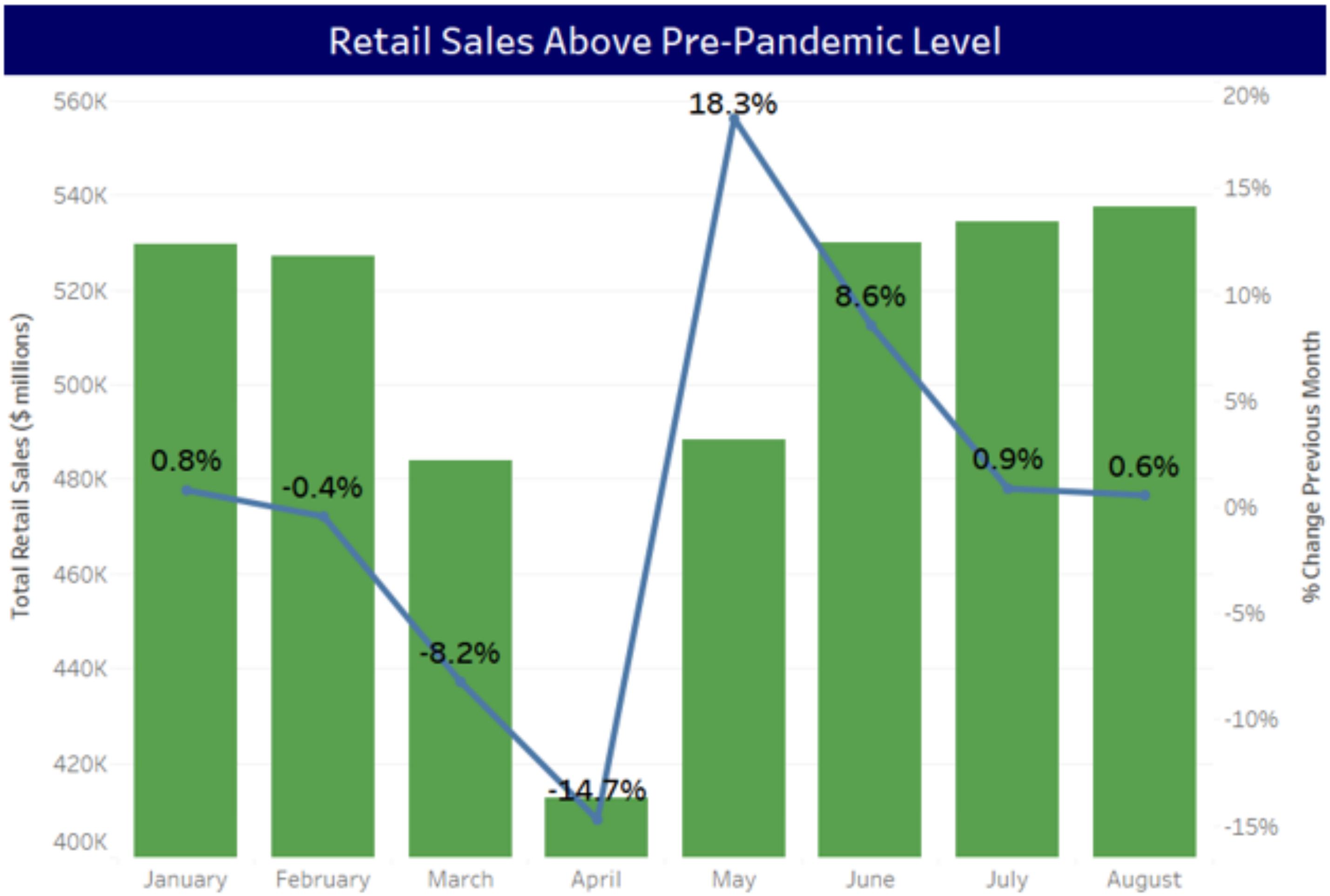
ECONOMIC VIEWPOINTS

Growth in Retail Sales Continues to Drive the Recovery

Retail sales continue to be the strongest economic data point in the recovery. There is no doubt they are the accelerating line of the "K-shaped" recovery. The Census Bureau reported this week that retail sales grew 0.6% in August, after growing 0.9% in July.



The initial surge: Those may look like small increases at first but consider retail sales grew over 18% in May and almost 9% in June. The strong growth in those months meant that retail sales already exceeded their February pre-pandemic levels back in June—faster than anyone expected.

Growth over the last two months, although slower, is still good news. It shows consumers are still spending and driving growth. It is also encouraging that sales did not decline after the extra $600 per week unemployment benefits, pandemic relief payments, and some government support, expired in July. Many predicted a drop in sales once that support ended.

How'd that happen: The surge in savings during the pandemic and the improving labor market likely buoyed sales in August and blunted the effect of the benefits ending.

But wait: Although sales are recovering nicely, there is variation, and the "K-shaped" recovery applies. For instance, spending at grocery stores is up more than 12% for the year, while spending at restaurants and bars is down a whopping 21%. Spending at general merchandise stores is up 2.2% but spending at department stores is down almost 19%. Spending at gas stations and clothing stores is down 17% and 35%, respectively. But spending at building supply stores is up more than 11%. Sales at non-store retailers, mostly online sellers, is up almost 20%.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce