

Economics

ECONOMIC FLASH!

economics.cibccm.com

September 16, 2025

US retail sales (Aug): Can anything break the consumer's stride?

by **Ali Jaffery** ali.jaffery@cibc.com

Retail Sales (monthly % chg, unless otherwise noted)	Aug	Jul	Jun	May	Apr	Aug YoY SA
Retail & food service	0.6%	0.6%	1.0%	-0.8%	-0.1%	5.0%
• Ex-autos	0.7%	0.4%	0.9%	-0.1%	0.0%	4.9%
Control Group ¹	0.7%	0.5%	0.9%	0.3%	-0.2%	5.9%
Motor vehicles, parts	0.5%	1.7%	1.2%	-3.8%	-0.7%	5.6%
Furniture	-0.3%	1.6%	0.1%	-0.5%	0.0%	5.2%
Electronics	0.3%	1.2%	0.4%	-0.4%	0.1%	3.7%
Building materials	0.1%	-0.9%	1.4%	-2.7%	0.5%	-2.3%
Food, beverages	0.3%	0.5%	0.8%	-0.6%	0.0%	3.2%
Health, personal care	-0.1%	0.4%	1.1%	0.6%	-0.3%	5.1%
Gasoline stations	0.5%	0.9%	0.7%	-0.7%	-0.4%	-0.7%
Clothing	1.0%	1.4%	1.4%	0.5%	0.2%	8.3%
Sporting goods	0.8%	1.6%	-0.1%	0.9%	-2.9%	4.7%
General merchandise	-0.1%	0.0%	0.1%	-0.1%	0.0%	1.9%
• Department stores	-0.8%	1.1%	-0.9%	-0.1%	-1.1%	-1.0%
Miscellaneous	-1.1%	-0.2%	3.0%	4.6%	-3.4%	10.7%
Non-store retailers	2.0%	0.6%	1.3%	0.7%	0.1%	10.1%
Eating, drinking	0.7%	-0.1%	0.8%	-0.2%	0.8%	6.5%

Source: Haver Analytics.

- Despite softer job market conditions, there doesn't look like much that can break the consumer's stride. In August, headline retail sales gained 0.6%, four ticks above consensus, and the prior month was also revised higher one tick by 0.6%. The control group of sales, which feeds more directly into non-auto goods consumption in GDP, posted a strong 0.7% advance (vs. 0.4% consensus). In volume terms, the control group is now tracking just under 6% growth on a three-month annualized basis, compared to close to 5% last month. Today's report was fairly broad-based with 9 out of 13 categories posting gains, with non-store retailers, clothing, sporting goods and restaurant spending leading the way. Today's report shouldn't be too much of a surprise – while the job market has cooled, it's far from showing major slack, and wage and wealth gains are still solid. This report, along with other evidence that the economy is still resilient, should gradually temper expectations of a bigger step. We expect the Fed to cut rates this week and again in October, followed by two more cuts in the first half of 2026 to bring rates back to a neutral range.

¹ This calculation removes food services, gas, building materials & autos from total retail & food service sales.

- The pace of retail sales has reaccelerated since May of this year, with year-over-year headline sales now back to 5% and the control group at almost 6%. The big shocks and their symptoms -- tariffs, immigration controls and slower job growth -- are not making a material dent in consumer momentum. And today's report suggests that consumers are spending on items that likely have been hit with tariffs. That being said, companies have been careful about price increases so far, with core goods ex-car prices rising only about 1% in annual terms, suggesting tariffs are likely not a major deterrent at this point. The spending pickup could be in anticipation of even higher price increases to come.
- But even as those tariffs pass through more, it may not undermine consumption growth all that much. Recent research from the Boston Fed shows that higher-income households (those with incomes 121K or higher) have been driving consumer growth since 2022 (Hagler and Patki, 2025). And part of that increase is due to lower debt levels as pandemic-era excess savings were used to pay down hefty loan balances, pushing debt levels below pre-pandemic thresholds for these households. The categories of spending also suggest a preference shift towards durable goods and recreation, as wealthy households (many of whom are retiring boomers) show a preference for leisure. Enjoying strong wage growth and historical wealth gains, a one percent or so rise in the price level isn't likely to crimp their lifestyles or cause a big slowdown in consumption.
- Today's data suggests a healthy pace of consumption growth in Q3, now above a 2% annualized pace and pushes up our nowcast tracking of growth to 2.6% in the quarter.

Implications & actions

Re: Economic forecast — We expect the Fed to cut in September and December, but today's data should temper expectations of the need for a larger step. Growth in Q3 looks healthy, tracking above potential output growth.

Re: Markets — Bond yields and the dollar whipsawed around this morning, and are now back close to their pre-data starting point..

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC