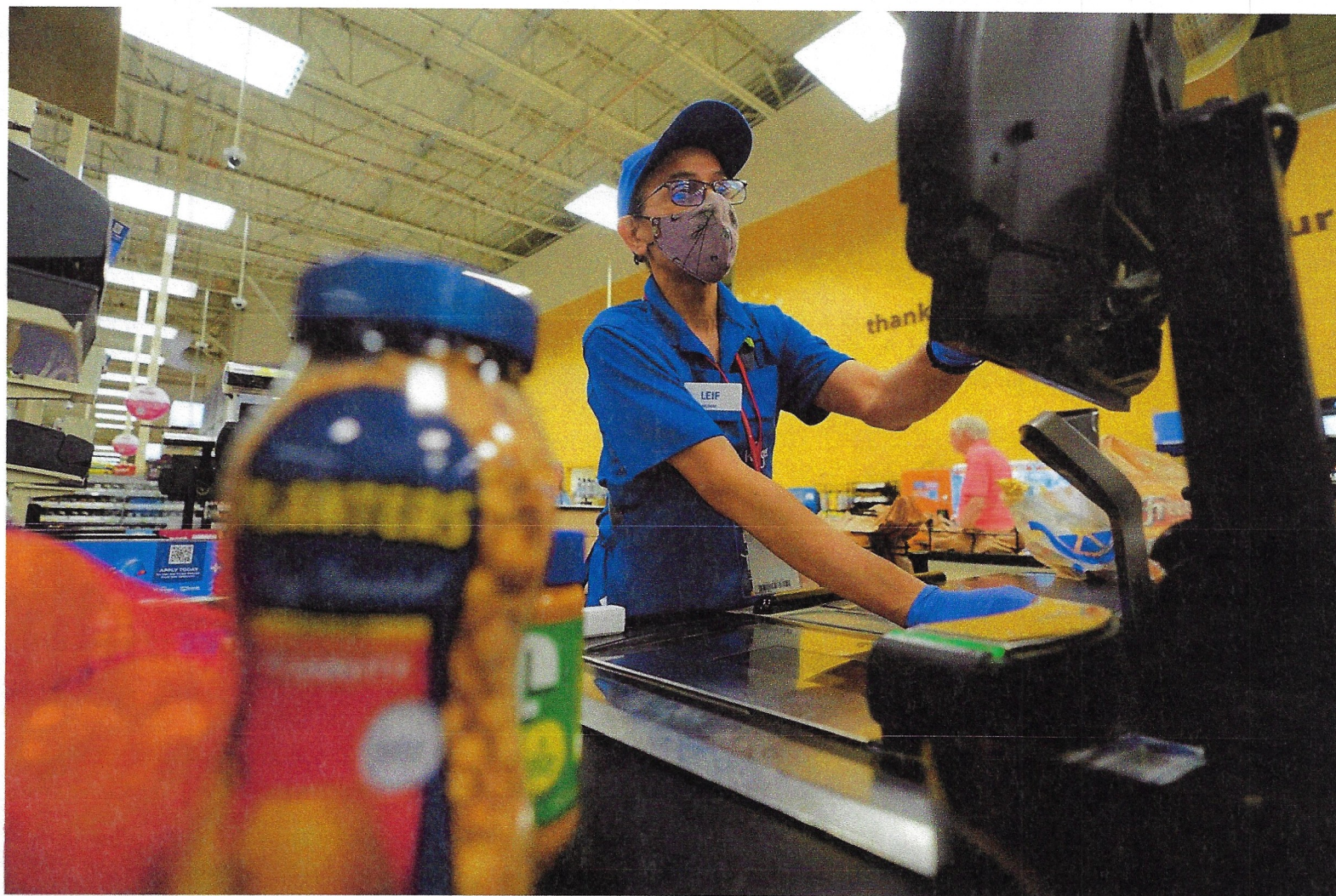


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TARIFFS LEAD TO PRICE HIKES

Retail sales up 0.6% in August



A cashier rings up groceries in Dallas on Aug. 28. LM OTERO — THE ASSOCIATED PRESS

BY ANNE D'INNOCENZIO

THE ASSOCIATED PRESS

NEW YORK>> Shoppers increased their spending at a better-than-expected pace in August from July, helped by back-to-school shopping, even as President Donald Trump's tariffs start to hurt the job market and lead to price increases.

Retail sales rose 0.6% last month from July, when sales were up a revised 0.6%, according to the Commerce Department's report. In June, retail sales rose 0.9%, the government agency said.

The August performance, announced Tuesday, was also likely helped by the continued efforts by Americans to keep pushing up purchases ahead of expected price increases.

The sales increases followed two straight months of spending declines in April and May.

Excluding auto sales, which have been volatile since Trump imposed tariffs on many foreign-made cars, retail sales rose 0.7% in August. Sales at auto vehicle and parts dealers rose 0.5%.

The data showed solid spending across various other outlets. Business at electronics and appliance stores was up 0.3%, while online retailers saw a 2% increase. Business at clothing and accessories retailers rose 1%.

And business at restaurants, the lone services component within the Census Bureau report and a barometer of discretionary spending, rose 0.7%. Business at furniture and home furnishings stores was down 0.3%.

A category of sales that excludes volatile sectors such as gas, cars, and restaurants rose last month by 0.7% from the previous month. The figure feeds into the Bureau of Economic Analysis's consumption estimate and is a sign that consumers are still spending on some discretionary items.

"This is further evidence that we shouldn't underestimate the strength of the consumer," Bankrate senior industry analyst Ted Rossman wrote in a note Tuesday. "Back-to-school shopping was a key theme in August, as evidenced by the strong clothing and electronics sales."

Government retail data isn't adjusted for inflation, which rose 0.4% from July to August, according to the latest government report. That was faster than the 0.2% pace the previous month. So that could have inflated the sales figures as well.

Consumer prices increased 2.9% in August from a year earlier, the Labor Department said last week, up from 2.7% the previous month and the biggest jump since January. Excluding the volatile food and energy categories, core prices rose 3.1%, the same as in July. Both figures are above the Federal Reserve's 2% target.

Stronger-than-expected retail sales, coupled with higher inflation as well as data showing soaring applications for unemployment aid, all create a complicated picture of the economy. Such data put the Federal Reserve in an increasingly tough spot as it prepares to cut rates at its meeting this week, economists said.

Earlier this month, the Labor Department reported that U.S. employers — companies, government agencies and nonprofits — added 22,000 jobs last month, down from 79,000 in July and well below the 80,000 that economists had expected.

Carl B. Weinberg, chief economist at High Frequency Economics, noted the retail sales increase "will not be enough of a surprise to stop the Fed from cutting rates this week, but it should support a hawkish message from the Fed Chair that a knock-on rate cut is not assured."

Major retailers including Walmart, Macy's and Best Buy recently reported their quarterly results, underscoring that shoppers are still buying, but are choosy. Some have raised prices, but many have described the hikes as modest.

Still, so far, shoppers haven't felt the big sting as some economists predicted earlier in the year as many retailers ordered goods ahead of tariffs and absorbed a big chunk of the costs as they came in, worried about passing on any hefty price increases.

The price gains have also been gradual enough to mute changes in consumer behavior, Walmart CEO Doug McMillon told analysts last month.