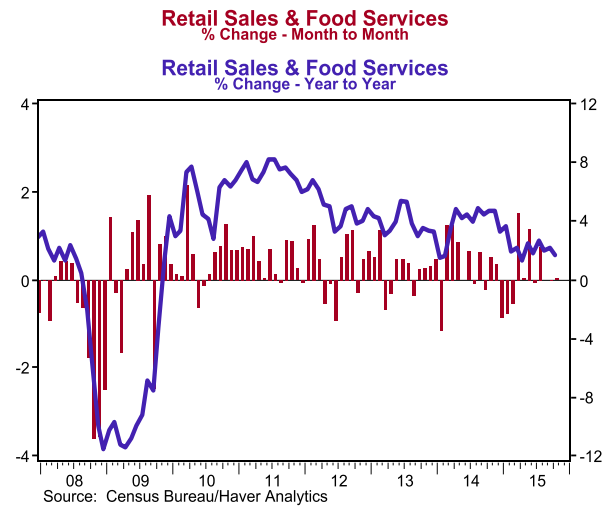


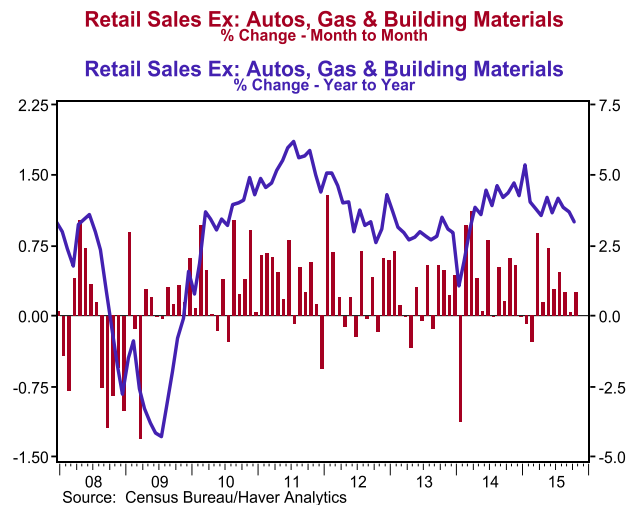
October Retail Sales

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- Retail sales increased 0.1% in October, but declined 0.1% including revisions to prior months. The consensus expected a gain of 0.3%. Retail sales are up 1.7% versus a year ago.
- Sales excluding autos increased 0.2% in October (+0.1% including revisions to prior months). The consensus expected a gain of 0.4%. These sales are up 0.5% in the past year. Excluding both autos and gas, sales are up 3.4% versus a year ago.
- The gain in sales in October was led by non-store retailers (internet and mail-order) as well as restaurants & bars and building materials. The largest declines were for autos, gas stations, and general merchandise stores (department stores).
- Sales excluding autos, building materials, and gas increased 0.3% in October (+0.2% including revisions to prior months). If unchanged in November/December these sales will be up at a 1.5% annual rate in Q4 versus the Q3 average.



Implications: Before you worry about a slowdown in consumer spending, keep in mind that retail sales still eked out a 0.1% gain in October despite a 0.5% drop in autos and a 0.9% drop in sales at gas stations due to lower gas prices (a huge benefit to the consumer). Excluding autos and gas stations, retail sales increased a respectable 0.3%. Gas station sales are now down a whopping 20.1% from a year ago. However, the volume (gallons) of gas sales is picking up - the effect of prices on supply and demand works again. In the twelve months through August (the latest data available) Americans drove the most miles on record. Overall retail sales are up a Plow Horse 1.7% from a year ago, but a much stronger 4.1% excluding gas. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were up 0.3% in October, the eighth straight monthly gain, and are up 3.4% from a year ago. Plugging today’s report into our models suggests “real” (inflation-adjusted) consumer spending, on goods and services combined, will be up at a 2.0% annual rate in Q4 while real GDP grows at around a 2.5% rate. In other words, the economy remains a Plow Horse. In other recent news, new claims for unemployment insurance were steady at 276,000 last week, the 36th straight week below 300,000. Continuing claims increased 5,000 to 2.174 million. Combined, these figures suggest continued solid payroll growth in November.



Retail Sales <i>All Data Seasonally Adjusted</i>	Oct-15	Sep-15	Aug-15	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.1%	0.0%	0.0%	0.1%	3.9%	1.7%
Ex Autos	0.2%	-0.4%	-0.1%	-1.1%	3.3%	0.5%
Ex Autos and Building Materials	0.1%	-0.4%	0.0%	-1.1%	3.0%	0.3%
Ex Autos, Building Materials and Gasoline	0.3%	0.0%	0.3%	2.3%	4.2%	3.4%
Autos	-0.5%	1.4%	0.3%	4.9%	6.2%	6.2%
Building Materials	0.9%	-0.3%	-1.1%	-2.5%	6.1%	4.3%
Gasoline	-0.9%	-4.0%	-2.2%	-24.9%	-6.0%	-20.1%

Source: Bureau of Census