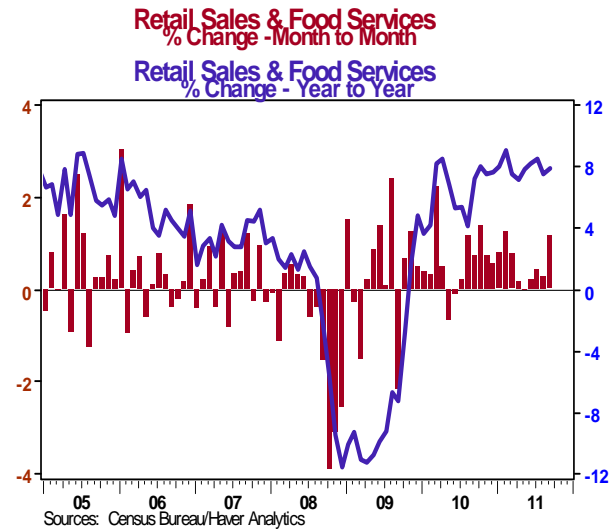


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September Retail Sales

- Retail sales surged 1.1% in September (up 1.5% including revisions to July/August), easily beating the consensus expected increase of 0.7%. Retail sales are up 7.9% versus a year ago.
- Sales excluding autos increased 0.6% in September (1.1% including revisions to July/August), also well above the consensus expected increase of 0.3%. Retail sales ex-autos are up 7.8% in the past year.
- The increase in retail sales in September was led by autos, gas, and bars/restaurants. Most other major categories of sales increased.
- Sales excluding autos, building materials, and gas were up 0.6% in September (1.1% including revisions for July/August). These sales are up 6.0% versus last year and up at a 4.8% annual rate in Q3 versus the Q2 average. This calculation is important for estimating GDP.

Implications: Today’s report on retail sales killed any remaining chance that the US is in recession. The data speak for themselves. Overall retail sales were up 1.1% in September and up at a 7.6% annual rate in the past three months. Autos led the gain in September, as supply-chain disruptions coming from Japan continue to ease. But even excluding autos, sales were up 0.6% and up at a 6.2% annual rate in the past three months. “Core” sales, which exclude autos, building materials, and gas, were also up 0.6% in September and are up at a 5.6% annual rate in the past three months. Not only do these figures show no recession, but real GDP growth in Q3 was probably the strongest in more than a year; we’re estimating an annualized 3.5% real GDP growth rate in Q3. In turn, this means we do not need to run up the federal debt further through efforts to “stimulate” the economy for the short run. Nor do we need another round of quantitative easing from the Federal Reserve. In other news this morning, prior easing by the Fed continues to show up in prices for internationally traded goods. Import prices increased 0.3% in September and are up 13.4% versus a year ago. This is not just oil: excluding petroleum, import prices were up 0.2% in September and are up 5.5% from a year ago. Export prices were up 0.4% in September and are up 9.5% from a year ago. Ex-agriculture, export prices were up 0.3% in September and 8% from a year ago. In still other news, business inventories increased 0.5% in August. The inventory-to-sales ratio remains very low, particularly at retailers.



Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-11	Aug-11	Jul-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	1.1%	0.3%	0.4%	7.6%	4.4%	7.9%
Ex Autos	0.6%	0.5%	0.4%	6.2%	4.6%	7.8%
Ex Autos and Building Materials	0.7%	0.5%	0.5%	6.6%	4.7%	7.9%
Ex Autos, Building Materials and Gasoline	0.6%	0.4%	0.4%	5.6%	4.5%	6.0%
Autos	3.6%	-0.8%	0.7%	14.8%	3.7%	8.5%
Building Materials	-0.1%	1.2%	-0.6%	1.8%	5.2%	6.5%
Gasoline	1.2%	0.8%	1.0%	12.8%	5.7%	20.3%

Source: Bureau of Census