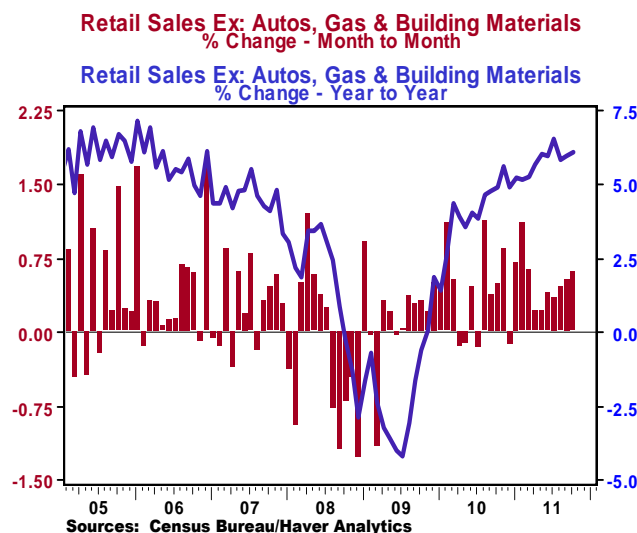
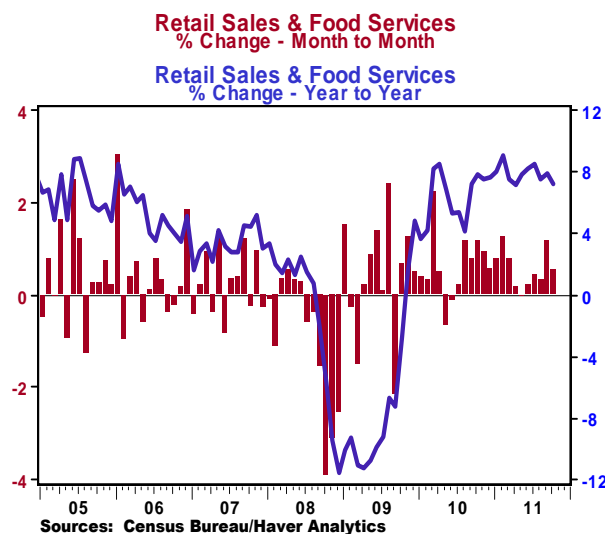


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Senior Economist
Strider Elss – Economic Analyst
Andrew Hull – Economic Analyst

October Retail Sales

- Retail sales grew 0.5% in October (up 0.6% including revisions to August/September), beating the consensus expected increase of 0.3%. Retail sales are up 7.2% versus a year ago.
- Sales excluding autos increased 0.6% in October (0.5% including revisions to August/September), above the consensus expected increase of 0.2%. Retail sales ex-autos are up 7.3% in the past year.
- The increase in retail sales in October was led by grocery stores and building materials. Most other major categories of sales increased as well. The largest decline was for gas stations.
- Sales excluding autos, building materials, and gas were up 0.6% in October. This calculation is important for estimating GDP.

Implications: Today’s report on retail sales is more proof the US consumer keeps getting stronger and the economy is nowhere near recession. It’s also good news for retailers as we head into the busy holiday shopping season. Retail sales increased for the 14th time in the past 15 months, beat consensus expectations, and are up 7.2% from a year ago. Excluding autos, retail sales grew for the 17th consecutive month, beat the consensus, and are up 7.3% from a year ago. Gains in sales were widespread in October, not concentrated in a certain category. “Core” sales, which exclude autos, building materials, and gas, were also up 0.6% in October and are up at a 6.6% annual rate in the past three months. With retail sales numbers like these, and lower inflation numbers like today’s report on the producer price index, real growth in sales is poised to continue to be strong in the fourth quarter. In other news on the retail sector, chain store sales continue to look good, up 3.3% versus a year ago according to Redbook Research and 3.1% according to the International Council of Shopping Centers. Remember, these figures show *same-store* sales; *total* sales are up even more than that. Also, General Motors said this morning that industry-wide vehicle sales in November are tracking at a 14 million annual rate. Backing-out medium and heavy truck sales suggests autos and light trucks are selling at a 13.6 million annual pace, up 3% versus October and 11% versus a year ago. Week by week, the argument for more federal “stimulus” or more ease from the Federal Reserve gets weaker and weaker.



Retail Sales <i>All Data Seasonally Adjusted</i>	Oct-11	Sep-11	Aug-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.5%	1.1%	0.3%	8.2%	5.2%	7.2%
Ex Autos	0.6%	0.5%	0.5%	6.6%	4.9%	7.3%
Ex Autos and Building Materials	0.5%	0.6%	0.5%	6.1%	4.7%	7.4%
Ex Autos, Building Materials and Gasoline	0.6%	0.5%	0.5%	6.6%	5.3%	6.1%
Autos	0.4%	4.2%	-0.8%	15.7%	6.6%	7.0%
Building Materials	1.5%	0.1%	1.6%	13.9%	9.1%	5.6%
Gasoline	-0.4%	0.7%	0.5%	3.1%	1.1%	15.6%

Source: Bureau of Census