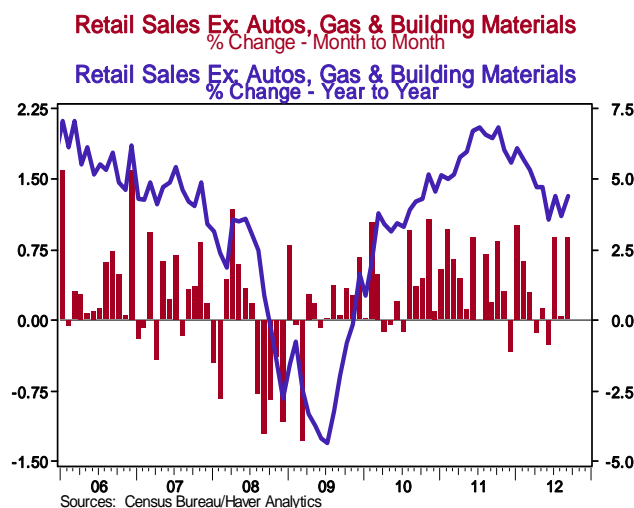
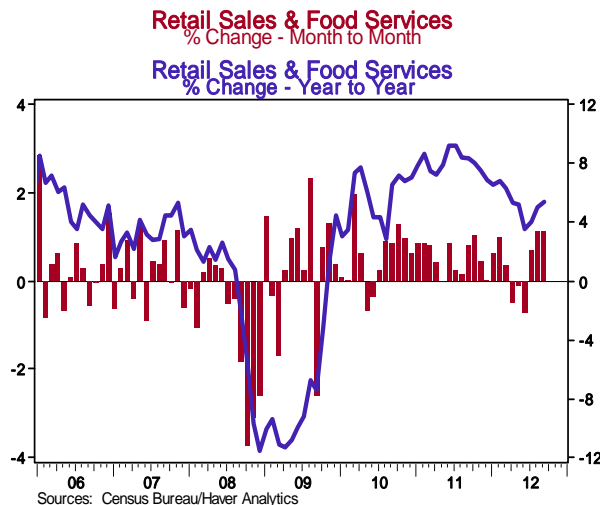


September Retail Sales

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- Retail sales increased 1.1% in September, beating the consensus expected gain of 0.8%. Sales were up 1.5% including revisions for July/August. Retail sales are up 5.4% versus a year ago.
- Sales excluding autos increased 1.1% in September, and were up 1.5% including revisions to July/August, easily beating the 0.7% gain the consensus expected. Sales are up 4.8% in the past year.
- The overall gain in sales in September was led by gas and autos although there were widespread gains in all categories of sales.
- Sales excluding autos, building materials, and gas were up 0.9% in September (1.1% including revisions to July/August). These sales are important for estimating real GDP. These sales were up at a 4.4% annual rate in Q3 versus the Q2 average.

Implications: Overall retail sales were solid in September, and the underlying details of the report were very strong as well. Although auto and gasoline sales were strong, “core” sales, which exclude autos, building materials, and gas, were up 0.9%, the largest monthly gain since January. Businesses have slowed down spending due to economic uncertainty, but not the consumer. The consumer continues to plow forward. Overall retail sales are up a very healthy 5.4% from a year ago. With consumer prices up 1.7% from last year, “real” (inflation-adjusted) retail sales are up a respectable 3.7% in the past year. In other words, despite how consumers respond to “confidence” surveys, they are still expanding their purchases at a trend moderate rate. We anticipate a similar pace of growth in real consumer spending through year end, mainly a by-product of job gains and wage gains. In addition, households have the lowest financial obligations ratio since the early 1980s. (This ratio is the share of after-tax income needed to make recurring monthly payments, such as mortgages, rent, car loans/leases, as well as debt service on credit cards, student loans and other lending arrangements.) In other news today, the Empire State index, a measure of manufacturing activity in New York, increased to -6.2 in October from -10.4 in September. The plow horse economy continues to push forward.



Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-12	Aug-12	Jul-12	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%	1.2%	0.7%	12.9%	3.3%	5.4%
Ex Autos	1.1%	1.0%	0.9%	12.7%	2.6%	4.8%
Ex Autos and Building Materials	1.1%	0.9%	0.8%	11.9%	3.1%	4.6%
Ex Autos, Building Materials and Gasoline	0.9%	0.1%	0.9%	7.5%	3.2%	4.4%
Autos	1.3%	1.8%	0.1%	13.5%	7.0%	8.1%
Building Materials	1.1%	1.9%	1.7%	20.6%	-5.5%	4.5%
Gasoline	2.5%	6.1%	0.5%	42.4%	2.9%	5.8%

Source: Bureau of Census