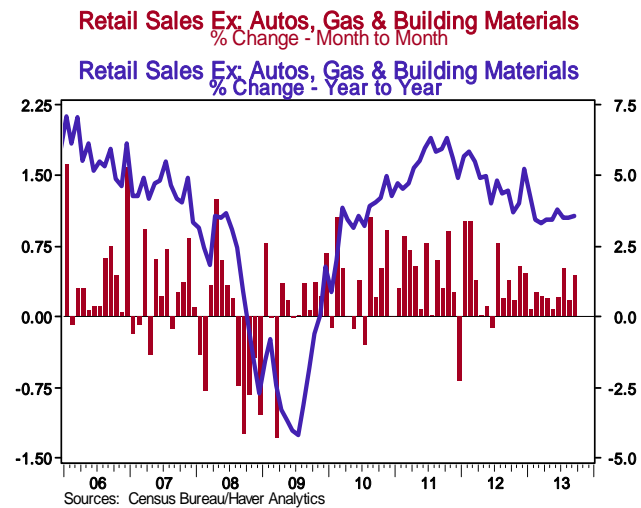
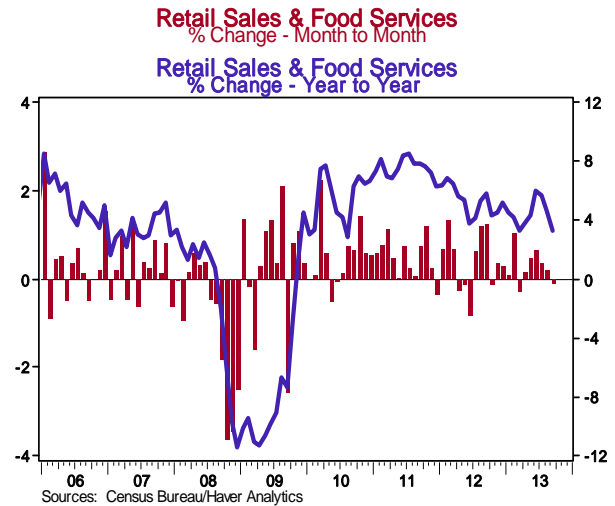


# September Retail Sales

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- Retail sales declined 0.1% in September (-0.2% including revisions to prior months) versus a consensus expected no change. Sales are up 3.2% versus a year ago.
- Sales excluding autos were up 0.4% in September, matching consensus expectations. These sales are up 2.8% in the past year.
- The decline in sales in September was due to autos, which offset gains in groceries and restaurants & bars.
- Sales excluding autos, building materials, and gas rose 0.5% in September. These sales were up at a 4.1% annual rate in Q3 versus the Q2 average.

**Implications:** A lackluster headline on retail sales today, but the underlying details of the report were quite positive. Retail sales declined 0.1% in September but the drop was all due to auto sales, which are volatile from month to month and which appear set for a rebound in October despite the partial government shutdown. Ex-autos, retail sales were up 0.4% in September, led by groceries and restaurants & bars. “Core” sales, which exclude autos, building materials, and gas, rose 0.5% in September, are up fifteen straight months, and 3.6% above sales a year ago...which probably explains why we don’t hear any more about the federal spending sequester or fiscal cliff deal killing the consumer. Overall retail sales are up 3.2% in the past year. Assuming consumer prices rose 0.2% in September, “real” (inflation-adjusted) sales are up about 2%. Including an estimate of services, it appears real consumer spending grew at a 1.3% annual rate in Q3. Factoring in today’s reports on inventories and yesterday’s on the production of high-tech equipment, it appears that real GDP grew at a modest 1.8% annual rate in Q3. For the time being, the economy continues to be a Plow Horse, with growth hovering around 2%, sometimes higher, sometimes lower. Expect more of the same in Q4 before the economy accelerates in 2014.



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	Sep-13	Aug-13	Jul-13	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Retail Sales and Food Services</b>	-0.1%	0.2%	0.4%	1.9%	3.7%	3.2%
<b>Ex Autos</b>	0.4%	0.1%	0.6%	4.4%	3.0%	2.8%
<b>Ex Autos and Building Materials</b>	0.4%	0.1%	0.5%	4.3%	2.4%	2.5%
<b>Ex Autos, Building Materials and Gasoline</b>	0.5%	0.2%	0.5%	4.8%	3.5%	3.6%
<b>Autos</b>	-2.2%	0.7%	-0.7%	-8.1%	7.0%	5.1%
<b>Building Materials</b>	0.1%	-0.3%	1.8%	6.4%	9.5%	5.8%
<b>Gasoline</b>	0.0%	-0.3%	0.6%	1.2%	-4.0%	-3.8%

Source: Bureau of Census