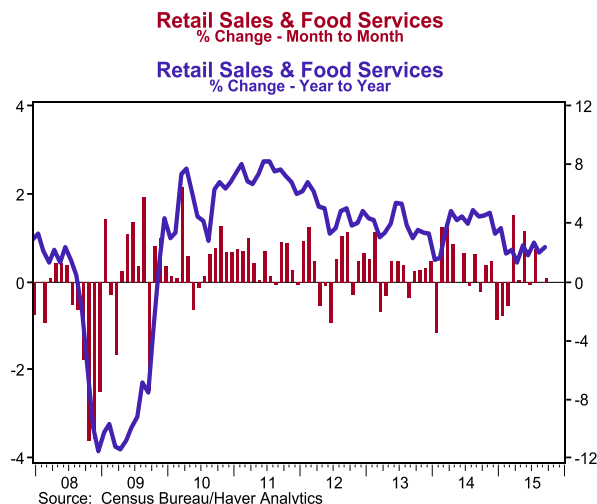


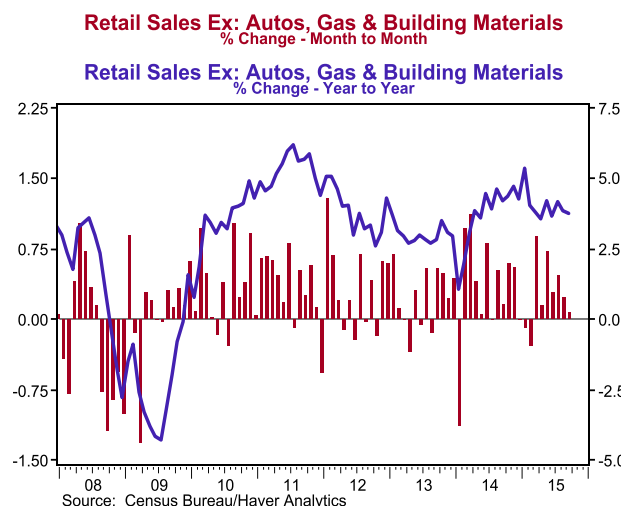
## September Retail Sales

Brian S. Wesbury – Chief Economist  
Robert Stein, CFA – Dep. Chief Economist  
Strider Elass – Economist

- Retail sales increased 0.1% in September, but were unchanged including revisions to prior months. The consensus expected a gain of 0.2%. Retail sales are up 2.4% versus a year ago.
- Sales excluding autos declined 0.3% in September, -0.4% including revisions to prior months. The consensus expected a decline of 0.1%. These sales are up 0.8% in the past year. Excluding both autos and gas, sales are up 3.7% versus a year ago.
- The gain in sales in September was led by autos as well as restaurants & bars. The largest decline, by far, was for gas stations.
- Sales excluding autos, building materials, and gas increased 0.1% in September (-0.3% including revisions to prior months). These sales were up at a 4.5% annual rate in Q3 versus the Q2 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 September despite a large drop (3.2%) in sales at gas stations due to lower gas prices. Excluding gas stations, retail sales increased a healthy 0.4%. Gas stations sales are now down a whopping 19.7% from a year ago. However, the volume (gallons) of gasoline sales are picking up - the incentive of prices on supply and demand works again. In the twelve months through July (the latest data available) Americans drove the most miles on record. Overall retail sales are up a modest 2.4% from a year ago, but 4.9% excluding gas. “Core” sales, which exclude autos, building materials and gas stations (the most volatile sectors) were up 0.1% in September and are up 3.7% 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 healthy 3.0 to 3.5% annual rate in Q3. Nonetheless, real GDP will likely grow just 1.5% in Q3 as inventories and trade hold back the aggregate data from reflecting healthy consumer spending.



Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-15	Aug-15	Jul-15	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%	0.0%	0.8%	3.6%	4.2%	2.4%
<b>Ex Autos</b>	-0.3%	-0.1%	0.6%	0.7%	2.9%	0.8%
<b>Ex Autos and Building Materials</b>	-0.3%	0.0%	0.3%	0.0%	3.1%	0.6%
<b>Ex Autos, Building Materials and Gasoline</b>	0.1%	0.2%	0.5%	3.2%	4.0%	3.7%
<b>Autos</b>	1.7%	0.4%	1.5%	15.4%	9.3%	8.8%
<b>Building Materials</b>	-0.3%	-1.3%	3.7%	8.4%	0.4%	3.4%
<b>Gasoline</b>	-3.2%	-2.0%	-1.0%	-22.3%	-4.2%	-19.7%

Source: Bureau of Census