

October Retail Sales

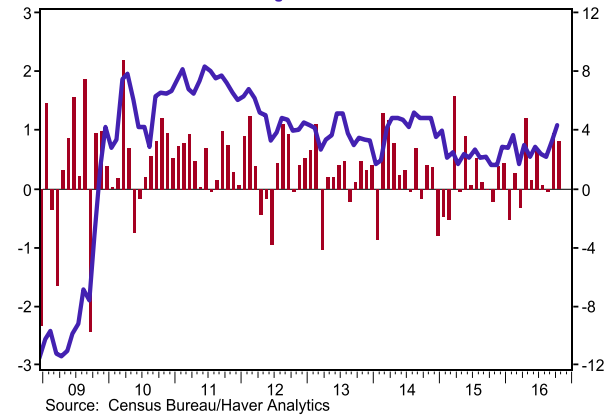
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- Retail sales rose 0.8% in October, beating the consensus expected 0.6% gain. Including revisions to prior months, retail sales increased 1.3%. Retail sales are up 4.3% versus a year ago.
- Sales excluding autos rose 0.8% in October, beating the consensus expected 0.5%. These sales are up 4.0% in the past year. Excluding both autos and gas, sales are up 4.4% versus a year ago.
- The increase in sales in October was led by autos, gas stations, and non-store retailers (internet and mail order). The largest decline was for restaurant & bars.
- Sales excluding autos, building materials, and gas rose 0.6% in October. If unchanged in November/December, these sales will be up at a 3.5% annual rate in Q4 versus the Q3 average.

Implications: The consumer started the fourth quarter like it finished the third, with a bang. Retail sales rose 0.8% in October following an upwardly revised 1% gain in September. In the past year retail sales are up a solid 4.3% but have been accelerating, up at a 5.6% annual rate in the past six months and at a 7.2% rate in the past three months. Although the two biggest gainers in October were volatile components – autos and gas stations – gains were broad-based outside those sectors as well, with eleven of thirteen major categories showing growth in October. Sales at gas stations rose 2.2% in October and are now up 0.8% from a year ago, the first year-to-year increase since May 2014, showing that oil prices are stabilizing. “Core” sales, which exclude autos, building materials, and gas, rose 0.6% in October and are up 4.1% from a year ago. Look for continued growth in consumer spending in the months ahead. Employment continues to expand, while wage growth is accelerating and consumer debt service obligations remain very low by historical standards. In the meantime, today’s data suggest real GDP growth for the third quarter will be revised up to a 3.2% annual rate from an original estimate of 2.9%. For the time being, the economy remains a Plow Horse, but consumer purchasing power and, therefore, spending, will remain one of the bright spots. On the manufacturing front, the Empire State index, a measure of manufacturing sentiment in New York, jumped to +1.5 in November from -6.8 in October, as new orders and shipments surged. In inflation news, import prices rose 0.5% in October but are still down 0.2% from a year ago. Petroleum import prices finally rose on a year ago comparison basis after declines for 26 consecutive months. In other words, just like we saw in today’s gas station sales, the long drag from declining energy prices that has weighed on import prices and domestic inflation may finally have come to an end. Export prices increased 0.2% in October but are down 1.1% from a year ago. Nonagricultural export prices rose 0.2% in October and have increased in seven of the past eight months.

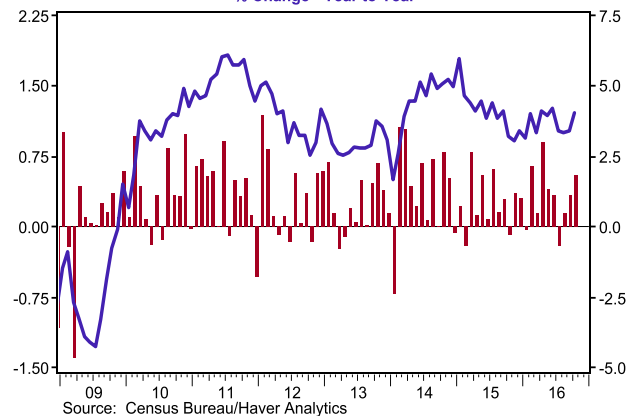
Retail Sales & Food Services
 % Change - Month to Month

Retail Sales & Food Services
 % Change - Year to Year



Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Month to Month

Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Year to Year



Retail Sales <i>All Data Seasonally Adjusted</i>	Oct-16	Sep-16	Aug-16	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.8%	1.0%	0.0%	7.2%	5.6%	4.3%
Ex Autos	0.8%	0.7%	0.0%	5.9%	4.3%	4.0%
Ex Autos and Building Materials	0.7%	0.6%	0.0%	5.5%	4.1%	3.7%
Ex Autos, Building Materials and Gasoline	0.6%	0.4%	0.2%	4.4%	3.3%	4.1%
Autos	1.1%	1.9%	0.0%	12.6%	10.7%	5.4%
Building Materials	1.1%	1.8%	-0.6%	9.6%	6.4%	6.5%
Gasoline	2.2%	3.0%	-1.4%	16.2%	11.4%	0.8%

Source: Bureau of Census