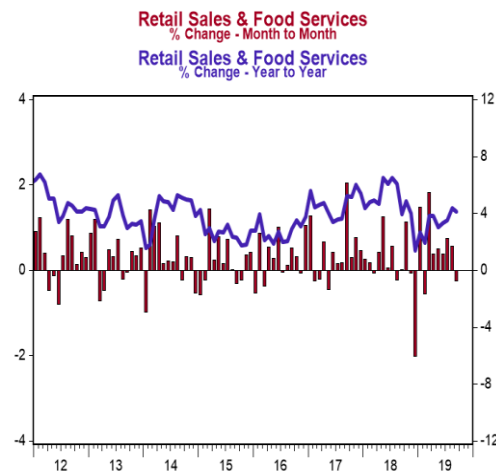


September Retail Sales

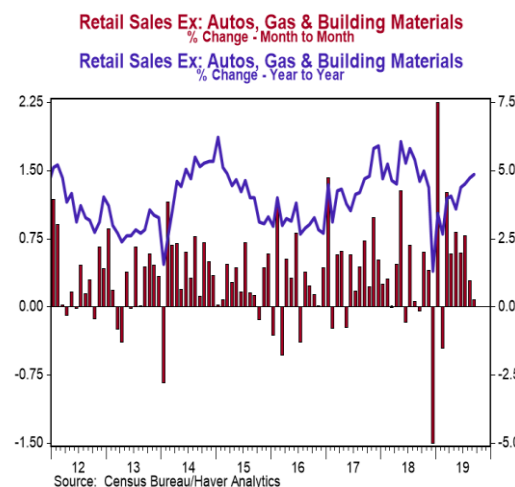
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- Retail sales declined 0.3% in September, (-0.1% including revisions to prior months) lagging the consensus expected gain of 0.3%. Retail sales are up 4.1% versus a year ago.
- Sales excluding autos declined 0.1% in September, (+0.1% including revisions to prior months) falling short of the consensus expected 0.2% gain. These sales are up 3.7% in the past year. Excluding gas, sales declined 0.2% in September but are up 4.7% from a year ago.
- The decline in sales in September was led by autos, building materials, and gas stations. The largest gains were at clothing & accessory stores.
- Sales excluding autos, building materials, and gas increased 0.1% in September (+0.2% including revisions to prior months). These sales were up at a 6.8% annual rate in Q3 versus the Q2 average.

Implications: Retail sales fell in September for the first time in seven months. This should pretty much solidify a rate cut by the Fed in two weeks, as the financial markets fully anticipate. But should it? No! Yes, overall retail sales declined 0.3% in September, but including revisions to prior months, sales were only down 0.1%, and remain up a solid 4.1% from a year ago. Sales declined in seven of thirteen major categories with autos, which are very volatile from month to month, leading the way lower, declining 0.9% in September. Still auto sales are up 5.6% from a year ago. Non-store sales which have been a real bright spot, fell for the first time in nine months but are still up 12.9% from a year ago. The largest gain in sales in September was for clothing & accessory stores which grew 1.3%. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) increased 0.1% in September, were up at a 6.8% annual rate in Q3 and are up 4.9% from a year ago. “Core” sales are up 8.6% at an annualized rate since the start of 2019, the fastest year-to-date growth we have seen since record keeping began in 1992! Jobs and wages are moving up, companies and consumers continue to benefit from tax cuts, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. For these reasons, expect continued solid gains in retail sales in the year ahead. In other news earlier this week, the Empire State Index, which measures factory sentiment in the New York region, rose to +4.0 in October from +2.0 in September, beating the consensus expected decline to +1.0. On the housing front today, the NAHB index, which measures homebuilder sentiment, rose to 71 in October from 68 in September, the highest reading since February of 2018. This represents a significant and consistent rebound in optimism following the collapse in the index at the end of 2018.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-19	Aug-19	Jul-19	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.3%	0.6%	0.7%	4.3%	4.7%	4.1%
Ex Autos	-0.1%	0.2%	0.9%	4.3%	5.0%	3.7%
Ex Autos and Building Materials	0.0%	0.1%	0.9%	4.0%	5.3%	4.0%
Ex Autos, Building Materials and Gasoline	0.1%	0.3%	0.8%	4.6%	6.4%	4.9%
Autos	-0.9%	1.9%	0.1%	4.3%	3.5%	5.6%
Building Materials	-1.0%	2.3%	0.9%	8.8%	0.2%	0.7%
Gasoline	-0.7%	-1.3%	1.7%	-1.3%	-3.0%	-2.7%

Source: Bureau of Census