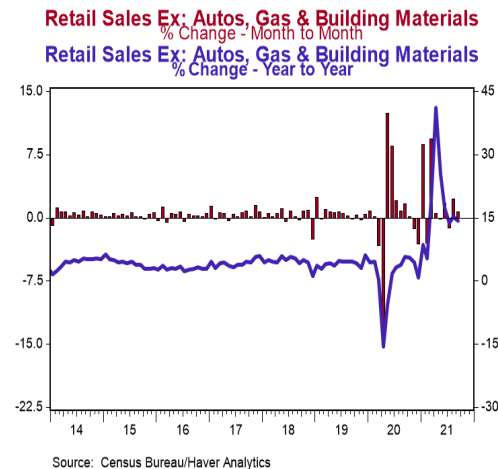
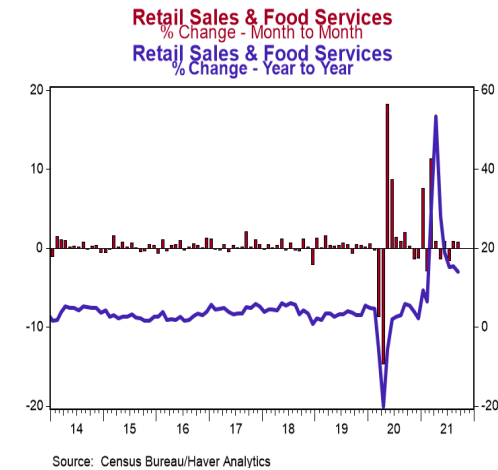


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September Retail Sales

- Retail sales rose 0.7% in September (+1.1% including revisions to prior months), easily beating the consensus expected decline of 0.2%. Retail sales are up 13.9% versus a year ago.
- Sales excluding autos increased 0.8% in September (+1.1% including revisions to prior months), beating the consensus expected gain of 0.5%. These sales are up 15.6% in the past year. Excluding gas, sales rose 0.6% in September, and are up 12.2% from a year ago.
- The gain in sales in September was led by general merchandise stores, gas stations, and autos. The largest decline was at health and personal care stores (including drug stores/pharmacies).
- Sales excluding autos, building materials, and gas rose 0.7% in September. These sales were up at a 6.1% annual rate in Q3 versus the Q2 average.

Implications: Retail sales continued to show strength in September, surprising the consensus and rising 0.7% for the month. The sales gains were broad, with eleven of thirteen major categories up in September, led by general merchandise stores (back-to-school shopping!) and at gas stations (more miles driven and consumers paying more at the pump). Overall sales are up a robust 13.9% from a year ago. Another way to look at it is that sales are up 18.9% versus February 2020, which was pre-COVID. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, rose 0.7% in September, are up 14.2% from a year ago, and up 19.4% versus February 2020. In other words, due to temporary government support, retail sales are running much hotter than they would have in the absence of COVID, even as the level of output (real GDP) is still running lower than it would have been in the absence of COVID. It has not been an even recovery for all major categories, though. For instance, non-store retailers (+36.1%) and sporting goods stores (+37.1%) have grown significantly faster than overall retail sales since February 2020. The last category of sales to get above February 2020 levels was restaurants & bars, which finally moved into the green in April and are now up 9.3% from 19 months ago. Looking ahead, given that overall retail sales are still far above the pre-COVID trend, we expect a modest trend decline in the year ahead. However, as long as policymakers don't panic again about COVID, we also expect sales at restaurants & bars to buck that trend and move higher, along with sales of services not counted by the retail trade report, as America gets back toward normal. In the months ahead, the path of retail sales will be a battle between a number of opposing factors. Rising wages, jobs, and inflation will all be tailwinds for retail sales, while the waning of the temporary and artificial boost from “stimulus” checks along with the end to overly excessive jobless benefits will be headwinds. In other factory related news this morning, the Empire State Index, a measure of New York factory sentiment, declined to a still elevated +19.8 in October from +34.3 in September. Finally, we also got trade inflation data this morning. Import prices rose 0.4% in September while export prices increased 0.1%. In the past year, import prices are up 9.2%, while export prices are up 16.3%. These figures add to the evidence that the Federal Reserve is too loose.



Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-21	Aug-21	Jul-21	3-mo % Ch. Annualized	6-mo % Ch. annualized	Yr to Yr % Change
Retail Sales and Food Services	0.7%	0.9%	-1.6%	0.0%	0.7%	13.9%
Ex Autos	0.8%	2.0%	-0.9%	7.7%	6.2%	15.6%
Ex Autos and Building Materials	0.0%	2.1%	-0.9%	8.4%	8.6%	16.4%
Ex Autos, Building Materials and Gasoline	0.7%	2.2%	-1.2%	6.8%	7.4%	14.2%
Autos	0.5%	-3.3%	-4.3%	-25.1%	-17.8%	7.8%
Building Materials	0.1%	1.1%	-1.1%	0.0%	-19.1%	5.8%
Gasoline	1.8%	1.0%	2.4%	23.1%	20.0%	38.2%

Source: Bureau of Census