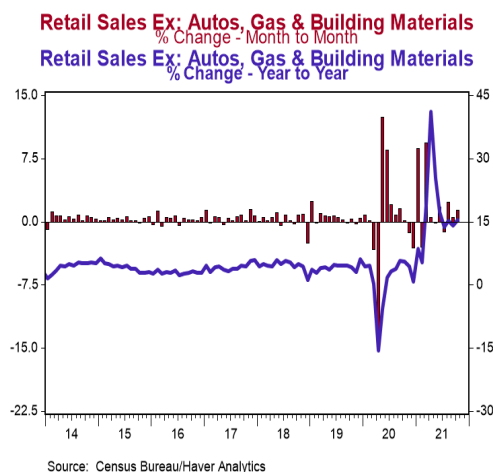
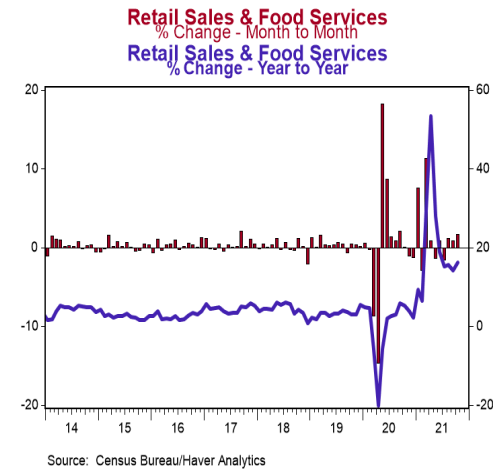


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## October Retail Sales

- Retail sales rose 1.7% in October (+2.0% including revisions to prior months), beating the consensus expected gain of 1.4%. Retail sales are up 16.3% versus a year ago.
- Sales excluding autos increased 1.7% in October (+1.8% including revisions to prior months), easily beating the consensus expected gain of 1.0%. These sales are up 17.6% in the past year. Excluding gas, sales rose 1.5% in October, and are up 14.1% from a year ago.
- The gain in sales in October was led by non-store retailers (internet & mail order), autos, and gas stations. The largest decline was at health and personal care stores (including drug stores/pharmacies).
- Sales excluding autos, building materials, and gas rose 1.3% in October. If unchanged in November/December these sales will be up at a 9.9% annual rate in Q4 versus the Q3 average.



**Implications:** Retail sales continued to show strength in October, beating consensus expectations and rising 1.7% for the month. Some of the gain was due to inflation, but not all of it: consumer prices rose 0.9% in October, not 1.7%. The sales gains were broad, with eleven of thirteen major categories up in October, led by non-store retailers, autos, and gas stations (more miles driven and consumers paying much higher prices at the pump). Overall sales are up a robust 16.3% from a year ago. Another way to look at it is that sales are up 21.4% versus February 2020, which was pre-COVID. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, rose 1.3% in October, are up 15.4% from a year ago, and up 20.7% versus February 2020. In other words, due to the massive increase in government transfer payments in response to COVID, retail sales are running much hotter than they would have had COVID never happened, 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 (+39.8%) and sporting goods stores (+39.5%) 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 9.4% from 20 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 news this morning, import prices rose 1.2% in October while export prices increased 1.5%. In the past year, import prices are up 10.7%, while export prices are up 18.0%. These figures add to the evidence that the Federal Reserve is too loose.

<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	<b>Oct-21</b>	<b>Sep-21</b>	<b>Aug-21</b>	<b>3-mo % Ch.</b> <b>Annualized</b>	<b>6-mo % Ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>Retail Sales and Food Services</b>	<b>1.7%</b>	0.8%	1.2%	15.8%	3.0%	16.3%
<b>Ex Autos</b>	<b>1.7%</b>	0.7%	2.2%	19.9%	10.2%	17.6%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	0.8%	2.2%	19.8%	11.7%	18.2%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>1.3%</b>	0.5%	2.3%	17.4%	8.8%	15.4%
<b>Autos</b>	<b>1.8%</b>	1.2%	-2.7%	0.8%	-19.8%	11.5%
<b>Building Materials</b>	<b>2.8%</b>	0.2%	1.6%	19.9%	-7.4%	10.2%
<b>Gasoline</b>	<b>3.9%</b>	3.2%	1.7%	41.7%	38.9%	46.8%

Source: Bureau of Census