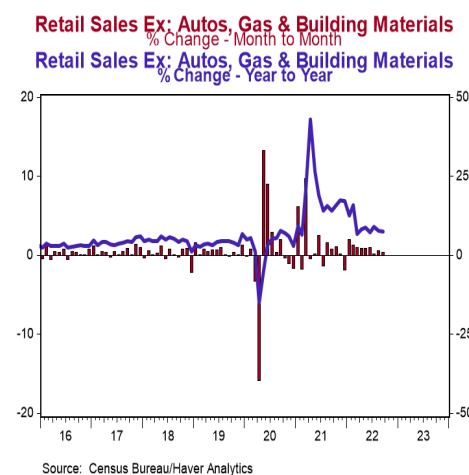
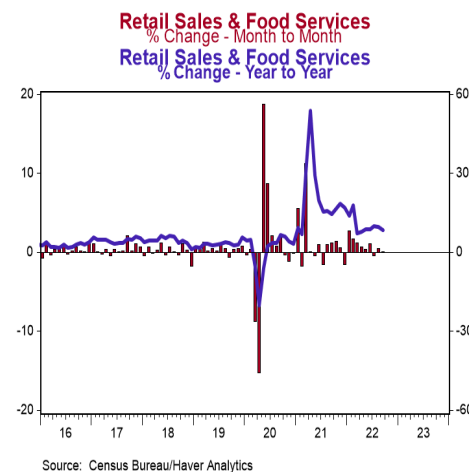


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## September Retail Sales

- Retail sales were unchanged in September (+0.1% including revisions to prior months), lagging the consensus expected gain of 0.2%. Retail sales are up 8.2% versus a year ago.
- Sales excluding autos rose 0.1% in September (+0.2% including revisions to prior months), beating the consensus expected 0.1% decline. These sales are up 8.9% in the past year. Excluding gas, sales rose 0.1% in September and are up 7.1% from a year ago.
- The largest gains in September were for non-store retailers (internet and mail-order) and general merchandise stores. The largest declines were for gas stations and autos.
- Sales excluding autos, building materials, and gas rose 0.4% in September, and including prior months' revisions were up 0.7%. These sales were up at a 6.5% annual rate in Q3 versus the Q2 average.

**Implications:** The economy keeps transitioning from goods to services. Retail sales were flat in September, coming in below consensus expectations. Prior months' numbers were revised slightly higher and including revisions retail sales rose 0.1%, but that's still slightly below the consensus expected 0.2% gain. Six of thirteen retail categories grew in September, led by sales at non-store retailers (internet and mail-order) and general merchandise stores, rising 0.5% and 0.7% respectively for the month. The largest declines were for gas stations, which fell by 1.4% and autos, which declined 0.4% in September. The best news in the report was that "core" sales, which exclude the most volatile categories of autos, building materials, and gas stations, rose 0.4% in September and were revised higher for prior months. These sales remain up 7.5% from a year ago. The problem is that one of the key drivers of overall spending is inflation. Yes, consumers are spending more, but they are not taking home the same amount of goods. Although retail sales are up 8.2% from a year ago, that pace matches inflation, with the CPI up 8.2% over the same period. Due to very loose monetary policy and the massive increase in government transfer payments in response to COVID, retail sales are still running higher than they would have had COVID never happened. However, loose monetary policy, which helped finance that big increase in government spending, is translating into high inflation, which is why "real" (inflation-adjusted) retail sales are flat versus a year ago. This doesn't mean overall consumer spending is down; "real" (inflation-adjusted) spending on services is still rising. But it does mean overall real consumer spending growth is soft. What to expect in the months ahead? Retail sales will struggle to keep pace with inflation while overall consumer spending increases modestly due to the service sector, as consumers continue to shift their preferences away from goods and back to services. In other news this morning, import prices fell 1.2% in September while export prices dropped 0.8%. Still, in the past year, import prices are up 6.0%, while export prices are up 9.5%.



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	Sep-22	Aug-22	Jul-22	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>	0.0%	0.4%	-0.4%	-0.1%	4.2%	8.2%
<b>Ex Autos</b>	0.1%	-0.1%	-0.1%	-0.4%	5.6%	8.9%
<b>Ex Autos and Building Materials</b>	0.0%	-0.2%	-0.2%	-0.8%	6.1%	8.9%
<b>Ex Autos, Building Materials and Gasoline</b>	0.4%	0.5%	0.2%	4.3%	7.8%	7.5%
<b>Autos</b>	-0.4%	2.8%	-2.0%	1.5%	-1.5%	5.6%
<b>Building Materials</b>	-0.4%	1.4%	1.1%	8.8%	2.1%	9.7%
<b>Gasoline</b>	-1.4%	-5.2%	-2.2%	-30.2%	-5.4%	20.6%

Source: Bureau of Census