

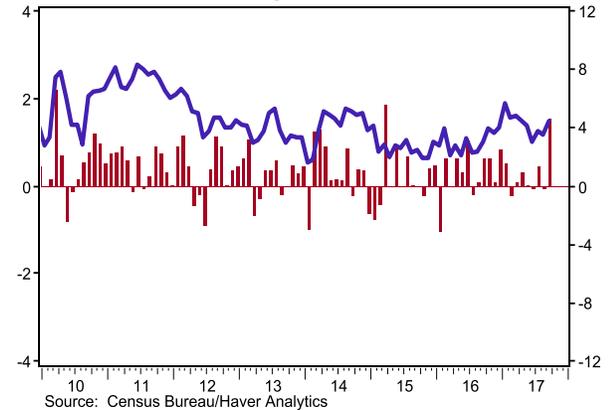
September Retail Sales

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- Retail sales increased 1.6% in September (+1.9% including revisions to prior months). The consensus expected a gain of 1.7%. Retail sales are up 4.4% versus a year ago.
- Sales excluding autos rose 1.0% in September (+1.5% including revisions to prior months), beating the consensus expected 0.9%. These sales are up 4.6% in the past year. Excluding gas, sales were up 1.2% in September and are up 3.9% from a year ago.
- The rise in sales in September was led by autos and gas.
- Sales excluding autos, building materials, and gas rose 0.4% in September (+0.7% including revisions to prior months). These sales were up at a 2.6% annual rate in Q3 versus the Q2 average.

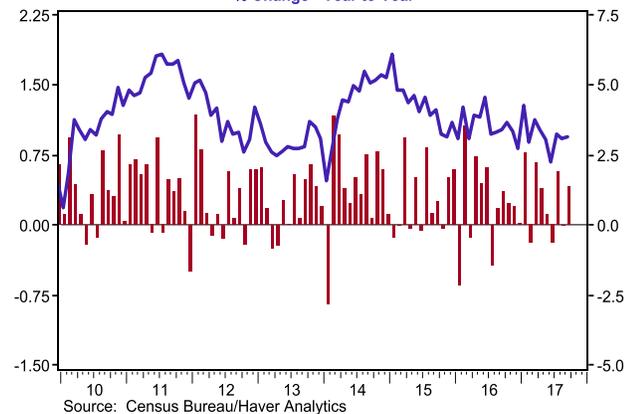
Retail Sales & Food Services
 % Change - Month to Month

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



Implications: Retail sales boomed in September as Hurricanes Harvey and Irma roiled consumer spending. Everyone already knew auto sales rebounded sharply in response to vehicles destroyed by Harvey, so there should not be much surprise at the 1.6% gain in overall September sales. However, sales were also revised higher for prior months and there was considerable strength for “core” sales, which grew 0.4% in September, a solid number, and are up 3.1% from a year ago. We’re at least a couple of months away from being able to see sales data that reflect the underlying trend and expect sales to continue to remain above trend in the coming months, both due to temporary pent-up demand from the hurricanes plus the purchase of replacements for what was destroyed. For example, due to the hurricanes, carmakers reported sales at a 16.1 million annual rate in August, the slowest pace for any month since 2014. But sales surged to 18.6 million annualized pace in September as vehicles totaled in the storm got replaced. Gas station sales also rose substantially in September as gas prices rose due to Harvey and Irma. Expect them to drop in the coming months as refineries get back to full speed and pump prices decline. When all is said and done and the effects of the hurricanes are fully behind us, we expect the data to show continued Plow Horse growth in consumer spending. Jobs and wages are still moving up, consumers’ financial obligations are an unusually small part of their incomes, and serious debt delinquencies are down substantially from seven years ago.

Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-17	Aug-17	Jul-17	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	1.6%	-0.1%	0.5%	8.2%	4.7%	4.4%
Ex Autos	1.0%	0.5%	0.5%	8.5%	3.9%	4.6%
Ex Autos and Building Materials	1.0%	0.4%	0.5%	7.8%	3.3%	4.0%
Ex Autos, Building Materials and Gasoline	0.4%	0.0%	0.6%	4.2%	2.7%	3.1%
Autos	3.6%	-2.1%	0.3%	6.7%	7.7%	4.0%
Building Materials	2.1%	0.6%	1.5%	18.2%	9.8%	10.7%
Gasoline	5.8%	4.1%	-0.5%	43.9%	8.4%	11.4%

Source: Bureau of Census