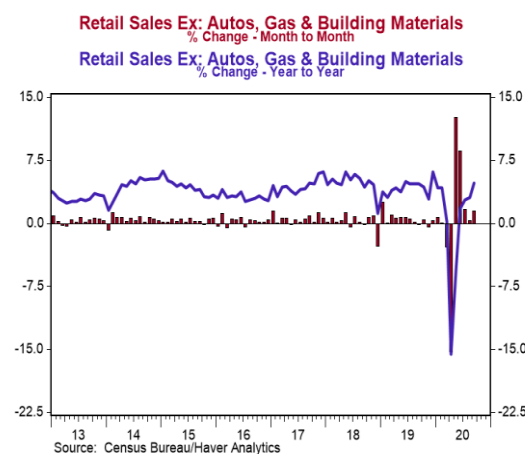


## September Retail Sales

Brian S. Wesbury – Chief Economist  
Robert Stein, CFA – Dep. Chief Economist  
Strider Elass – Senior Economist

- Retail sales rose 1.9% in September (+2.2% including revisions to prior months), easily beating the consensus expected gain of 0.8%. Retail sales are up 5.4% versus a year ago.
- Sales excluding autos rose 1.5% in September (+1.6% including revisions to prior months), easily beating the consensus expected increase of 0.4%. These sales are up 4.0% in the past year. Excluding gas, sales rose 1.9% in September, and are up 7.0% from a year ago.
- The increase in sales in September was led by autos, clothing & accessory stores, restaurants & bars, and general merchandise stores. The only decline was for furniture, electronics & appliance stores.
- Sales excluding autos, building materials, and gas rose 1.5% in September. These sales were up at a 57.7% annual rate in Q3 versus the Q2 average.

**Implications:** A very strong report on the US consumer. Retail sales rocketed higher in September, growing 1.9%, easily beating consensus expectations and, on net, upwardly revised for prior months. It's important to keep in mind how much progress has been made. Back in April, retail sales were down 19.9% from a year ago; now, in September, retail sales are up 5.4% from September 2019. For some more perspective: from February (before the COVID shutdowns started) to the bottom in April, retail sales fell 21.7%. Now, with the increase in September, we are 4.2% higher than the February mark, meaning retail sales have had a full V-shaped recovery and are now starting to trace out a checkmark. Twelve of thirteen major categories of sales increased in September, with the leaders continuing to be the sectors that were hit hardest during the shutdown. For example, auto sales, which fell 34.9% from February to April, led the way higher in September, up 3.6%, and have now recovered more than 100% of what was lost during the downswing. Other categories that were large contributors this month were sales at clothing and accessory stores, up 11.0% in September, and sales at restaurants & bars which rose 2.1%. "Core" sales, which exclude the most volatile categories of autos, building materials, and gas station sales, rose 1.5% in August, and are now up 4.7% from a year ago. Following what was the steepest drop in real GDP for any quarter since the Great Depression, the data are improving across the board. Third quarter real GDP looks like it grew at about a 30 - 35% annual rate. In other news yesterday on the employment front, initial jobless claims rose 53,000 last week to 898,000. Meanwhile, continuing claims for regular benefits fell 1.165 million to 10,018 million. Also yesterday on the inflation front, import prices increased 0.3% in September, as nonfuel import prices led the way rising 0.6%, while fuel import prices declined 2.9%. Meanwhile, export prices increased 0.6%, led by agricultural exports, which rose 2.7%. In the past year, import prices are down 1.1%, while export prices are down 1.8%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-20	Aug-20	Jul-20	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>	<b>1.9%</b>	0.6%	1.1%	15.4%	28.8%	5.4%
<b>Ex Autos</b>	<b>1.5%</b>	0.5%	1.6%	15.3%	14.5%	4.0%
<b>Ex Autos and Building Materials</b>	<b>0.0%</b>	0.4%	1.8%	15.8%	14.0%	2.8%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>1.5%</b>	0.3%	1.6%	14.5%	14.5%	4.7%
<b>Autos</b>	<b>3.6%</b>	0.7%	-0.6%	15.6%	116.6%	10.9%
<b>Building Materials</b>	<b>0.6%</b>	2.4%	-1.9%	4.6%	27.2%	19.1%
<b>Gasoline</b>	<b>1.5%</b>	0.9%	4.5%	31.0%	8.4%	-13.3%

Source: Bureau of Census