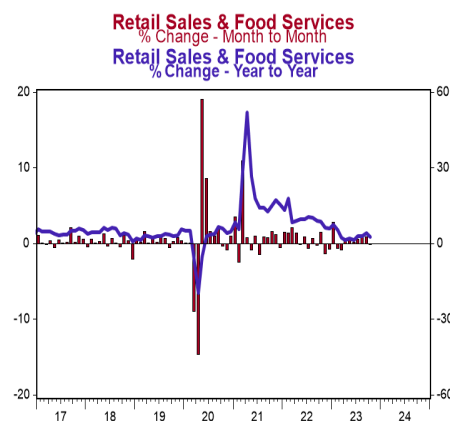


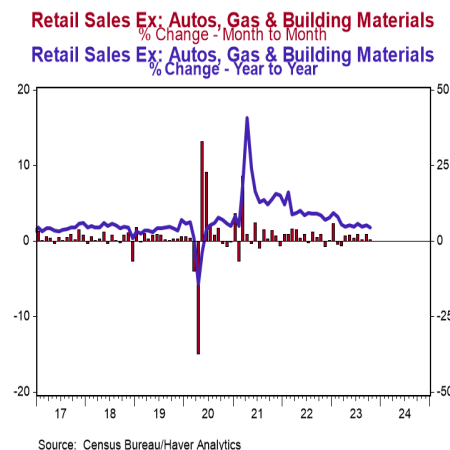
October Retail Sales

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- Retail sales declined 0.1% in October (but were unchanged including revisions to prior months), beating the consensus expected decline of 0.3%. Retail sales are up 2.5% versus a year ago.
- Sales excluding autos increased 0.1% in October (+0.2% including revisions to prior months), beating the consensus expected decline of 0.2%. These sales are up 2.3% in the past year.
- The largest declines in October were for autos, furniture stores, and gas stations. The largest increase was for grocery stores.
- Sales excluding autos, building materials, and gas rose 0.2% in October, and were up 0.3% including revisions to prior months. If unchanged in November/December, these sales will be up at 3.4% annual rate in Q4 versus the Q3 average.



Implications: After a few exceptionally strong months, retail sales were expected to fall 0.3% for October. Instead retail sales only declined 0.1% and were unchanged after factoring in positive revisions to prior months. Sales declined in seven of the thirteen major categories for the month led by autos, which slipped 1.0%, followed by sales at furniture stores (-2.0%), and gas stations (-0.3%). After the rapid increase in gasoline prices over the past few months, it was a surprise that gas station sales didn't fall by more as prices at the pump have come down significantly and suggests more driving by American consumers. "Core" sales, which exclude volatile categories such as autos, building materials, and gas stations – crucial for estimating GDP – increased by 0.2% in October and were revised upward for previous months, starting the fourth quarter off on a respectable note. However, while overall retail sales were boosted during COVID because consumers were held back from spending on services, and still sit close to record highs unadjusted for inflation, in "real" (inflation-adjusted) terms, they have already rolled over. Real retail sales peaked back in April 2022 and have since declined by 2.1% from that peak. It has been 40 years since the US had an inflation problem, so it is important to remember that it can distort data. Our view remains that the tightening in monetary policy since last year will eventually deliver a recession. Expect more deterioration in real retail sales later this year and into next as tighter credit conditions along with higher borrowing costs start to take a toll. In other news this morning, the Empire State Index, a measure of New York factory sentiment, rose to +9.1 in November from -4.6 in October. We will be watching other regional surveys closely for hints about the path of the industrial sector.



Retail Sales <i>All Data Seasonally Adjusted</i>	Oct-23	Sep-23	Aug-23	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.1%	0.9%	0.7%	6.2%	6.0%	2.5%
Ex Autos	0.1%	0.8%	0.8%	7.2%	6.3%	2.3%
Ex Autos and Building Materials	0.0%	0.9%	0.8%	7.8%	6.8%	3.1%
Ex Autos, Building Materials and Gasoline	0.2%	0.9%	0.2%	5.2%	6.6%	4.5%
Autos	-1.0%	1.1%	0.3%	2.1%	5.1%	3.3%
Building Materials	-0.3%	-0.3%	0.5%	-0.3%	0.3%	-5.6%
Gasoline	-0.3%	1.0%	6.7%	33.4%	8.1%	-7.5%

Source: Bureau of Census