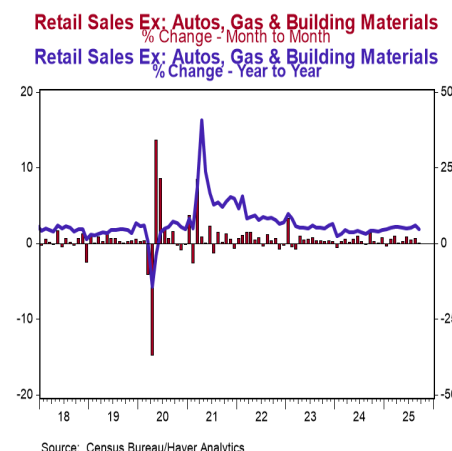
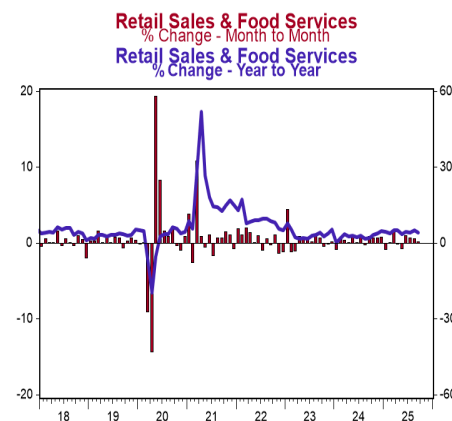


September Retail Sales

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- Retail sales rose 0.2% in September, lagging the consensus expected +0.4%. Retail sales are up 4.3% versus a year ago.
- Sales excluding autos rose 0.3% in September, matching consensus expectations. These sales are up 4.1% in the past year.
- The largest increases in September were for gas stations and restaurants & bars. The largest decline was for nonstore retailers (internet and mail-order).
- Sales excluding autos, building materials, and gas rose 0.1% in September (unchanged including revisions to prior months). These sales were up at a 6.3% annual rate in Q3 versus the Q2 average.

Implications: Growth in retail sales lost some momentum in September, capping off what had otherwise been a solid quarter of spending for US consumers. Looking at the headline, overall sales rose 0.2% in September – the fourth consecutive monthly increase – but lagged the consensus expected gain of 0.4%. Sales rose in eight out of the thirteen major categories for the month, led by a 2.0% jump at gasoline stations. The biggest drag came from nonstore retailers (think internet and mail-order), where sales declined 0.7% in September after a strong 1.6% increase in August. Combined with declines at clothing stores (-0.7%) and sporting goods retailers (-2.5%), the pullback likely reflects a return to more typical spending levels after back-to-school shopping boosted the prior month. “Core” sales, which exclude volatile categories such as autos, building materials, and gas stations, increased by 0.1% in September but were revised slightly downward for previous months. The core number is crucial for estimating GDP, because when it calculates GDP the government uses other sources for autos, building materials, and gas, not the retail report. Despite the weakness in September, these sales were up at a 6.3% annual rate in Q3 compared to the Q2 average, the fastest quarterly pace since 2023. In turn, it looks like Real GDP grew at a nearly 3.5% annualized pace in the third quarter. Keep in mind, however, that a monetary policy tight enough to bring inflation down is also tight enough to bring economic growth down. One category we will be watching closely for this is at restaurants & bars – the only glimpse we get at services in the report, which make up the bulk of consumer spending. That category rose a solid 0.7% in September following a 1.0% jump in August. Through the first nine months of the year, these sales are up at a 7.7% annualized rate, above the 2.9% annualized increase for overall sales. While this report appears out of step with some other signs of a slowing economy, we remain cautious given the potential delayed effects of tighter monetary policy.



Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-25	Aug-25	Jul-25	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.2%	0.6%	0.6%	5.8%	3.0%	4.3%
Ex Autos	0.3%	0.6%	0.4%	5.3%	4.5%	4.1%
Ex Autos and Building Materials	0.3%	0.6%	0.5%	5.6%	4.8%	4.5%
Ex Autos, Building Materials and Gasoline	0.1%	0.7%	0.4%	4.7%	4.6%	4.6%
Autos	-0.3%	0.6%	1.6%	7.8%	-3.1%	5.1%
Building Materials	0.2%	0.3%	-0.8%	-1.4%	-2.4%	-2.4%
Gasoline	2.0%	0.4%	1.3%	15.9%	6.8%	3.1%

Source: U.S. Census Bureau