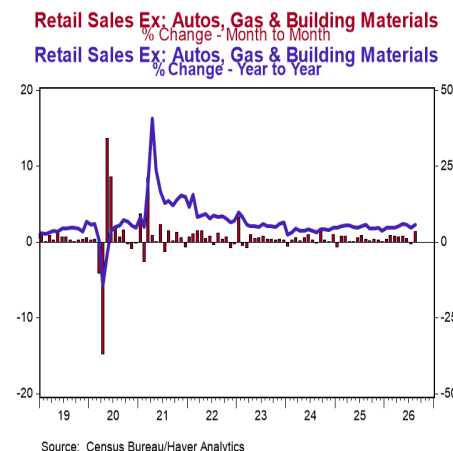
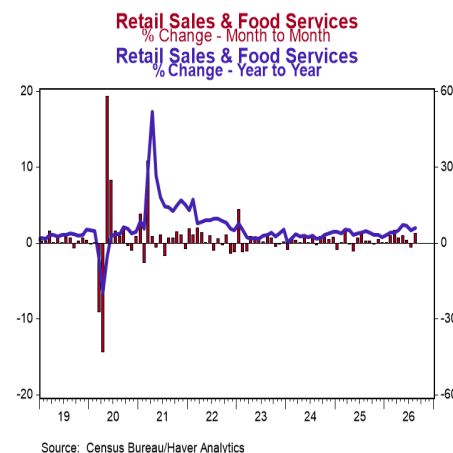


September Retail Sales

Nate Gerze, CFA – Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- Retail sales increased 0.8% in September (+1.0% including revisions to prior months), easily beating the consensus expected +0.3%. Retail sales are up 6.3% versus a year ago.
- Sales excluding autos increased 0.9% in September (+1.1% including revisions to prior months), beating the consensus expected +0.5%. These sales are up 7.2% in the past year.
- The largest increases in September were gasoline stations and restaurant & bars. The largest decline was for miscellaneous store retailers.
- Sales excluding autos, building materials, and gas increased 0.3% in September (+0.5% including revisions to prior months). These sales were up at a 5.7% annual rate in Q3 versus the Q2 average.



Implications: Flashy headline, modest details. Retail sales rose 0.8% in September, easily beating consensus expectations, while sales in previous months were revised higher. However, most of the surprise can be attributed to a 6.4% jump in gas stations sales, reflecting higher prices at the pump, not a boost to economic activity. Still, growth was broad-based with eight of thirteen major sales categories rising in September. We like to follow “core” sales, which strip out the volatile categories for autos, building materials, and gas stations and is important for estimating GDP. This measure rose 0.3% in September and was up at a solid 5.7% annual rate in the third quarter versus the Q2 average. This is consistent with our view that real GDP grew at about a 3.0 - 3.5% annual rate in Q3. Within the core grouping, sales at nonstore retailers have been a major bright spot in recent months but slowed in September, rising 0.3% after a 2.0% jump in August. Consumers pulled back on spending in September at stores for sporting goods & hobbies (-0.5%), miscellaneous stores (-3.0%), and general merchandise stores (-0.1%). Meanwhile, sales at restaurant and bars – the only glimpse we get at services in this report – increased 1.1% in September following an upwardly revised +1.4% gain in August. Sales in this category have shown solid growth since February and stand 7.0% higher than a year ago, outpacing the 6.3% increase for overall sales. It’s important to remember that none of these figures are adjusted for inflation. Nominal retail sales have risen 6.3% in the past year, but factoring in inflation, “real” inflation-adjusted sales are up 2.5% in the past twelve months. While higher prices have inflated the headline figures, US consumers continue to spend despite a challenging economic backdrop. In other recent news this morning, initial jobless claims last week ticked up by 1,000 to 199,000; continuing claims declined 4,000 to 1.710 million. These figures suggest continued job growth.

Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-26	Aug-26	Jul-26	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.8%	1.3%	-0.4%	6.8%	7.2%	6.3%
Ex Autos	0.9%	1.4%	-0.1%	9.3%	8.0%	7.2%
Ex Autos and Building Materials	1.0%	1.5%	-0.1%	10.3%	8.6%	7.4%
Ex Autos, Building Materials and Gasoline	0.3%	1.2%	0.0%	6.2%	6.4%	5.1%
Autos	0.2%	0.7%	-1.7%	-3.1%	3.7%	2.5%
Building Materials	-0.6%	0.2%	-0.3%	-2.6%	1.1%	4.5%
Gasoline	6.4%	4.0%	-0.2%	48.4%	27.0%	28.1%

Source: U.S. Census Bureau