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US Retail sales showcase the resilience of the American consumer

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Retail Sales (monthly % chg, unless otherwise noted)	Oct 2022	Sep 2022	Aug 2022	July 2022	June 2022	Oct YoY SA
Retail & food service	1.27%	0.0%	0.7%	-0.4%	1.0%	8.3%
• Ex-autos	1.26%	0.1%	0.2%	-0.1%	1.1%	9.0%
Control Group[1]	0.68%	0.6%	0.4%	0.4%	1.1%	6.5%
Motor vehicles, parts	1.33%	-0.3%	2.9%	-2.0%	0.6%	5.2%
Furniture	1.10%	-0.9%	0.6%	0.1%	-1.2%	0.4%
Electronics	-0.30%	0.0%	-2.0%	-0.3%	-0.5%	-12.1%
Building materials	1.09%	-0.2%	1.7%	1.1%	-0.3%	9.2%
Food, beverages	1.44%	0.7%	0.4%	0.0%	1.1%	7.6%
Health, personal care	0.46%	0.8%	0.0%	0.6%	1.3%	5.4%
Gasoline stations	4.10%	-3.7%	-5.0%	-2.2%	2.7%	17.8%
Clothing	-0.02%	1.0%	1.0%	-0.4%	0.7%	3.1%
Sporting goods	-0.33%	-0.8%	1.1%	0.0%	0.9%	2.5%
General merchandise	-0.18%	0.8%	0.3%	-0.4%	2.3%	2.3%
• Department stores	-2.09%	1.3%	0.8%	-0.1%	-1.7%	-1.6%
Miscellaneous	0.29%	0.4%	0.2%	-1.3%	3.8%	10.4%
Non-store retailers	1.16%	0.6%	0.6%	1.7%	0.3%	11.5%
Eating, drinking	1.64%	0.9%	2.5%	-0.8%	0.7%	14.1%

Source: Haver Analytics.

- Headline retail sales picked up in October as consumer spending remains surprisingly strong ahead of the holiday season. Total sales grew by 1.3%, above consensus expectations for a 1% gain, marking the largest increase in eight months as sales rose in 9 out of 13 categories. The main surprise came from the strength outside of gasoline and autos, as the control group of sales (ex. gasoline, autos, restaurants, and building materials) advanced a much larger-than-anticipated 0.7% in October (consensus +0.3%). This was compounded by positive revisions to the prior month (now 0.6%, previously 0.4%), and suggests that consumer demand is holding up better than expected. While this data is stronger than anticipated, when combined with last week's weaker-than-expected CPI report, the Fed should remain on track to slow the pace of interest rate hikes in December and deliver a 50bps increase.
- Spending on discretionary categories remains stronger than expected heading into the holiday season. Consumers spent less on sporting goods and electronics, but didn't shy away from going out. Sales at restaurants grew a strong 1.6% on the month, which, given the price gains in October, looks to be a decent advance in volume terms. After

[1] This calculation removes food services, gas, building materials & autos from total retail & food service sales.

months of taking advantage of declining gasoline prices to increase volumes, the gain in gasoline sales matched that in prices in October, implying a roughly flat month in real terms.

- As anticipated, fading supply chain issues supported auto sales in October. The auto industry remains under pressure from low inventory levels and supply chain disruptions that are slow to improve. Pent-up demand should boost auto sales ahead, but the increase in interest rates could act as a strong offset.
- Spending on categories linked to the housing market, notably furniture and building materials, rebounded strongly in October. This may be due to homeowners choosing to renovate their house rather than move in the face of rapidly increasing mortgage rates. Those high rates should nevertheless hold back sales in these categories in the future as home sales continue to fall.
- Online sales continued to grow strongly in October and were a key factor in pushing up sales in the control group, given that they account for almost one-third of sales in the group.

Implications & actions

Re: Economic forecast — Today's data suggests that the fourth quarter is off to a decent start and growth could hold up better than we anticipated. The resiliency of consumers and goods demand in the face of rising interest rates will no doubt cause some concerns for the Fed as it seeks to slow the economy. Nevertheless, given the weaker-than-expected price data for October, the central bank should remain on track to slow the pace of interest rate hikes in December and deliver a 50bps increase.

Re: Markets — Bond yields rose after the release but had retraced those gains within an hour. There were also no sustained move in the USD, which is reacting more to news out of Europe.