

Economics

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November 15, 2024

US Retail sales (Oct): Riding on revisions

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Retail Sales (monthly % chg, unless otherwise noted)	Oct	Sep	Aug	Jul	Jun	Oct YoY SA
Retail & food service	0.4%	0.8%	-0.1%	1.2%	-0.3%	2.8%
• Ex-autos	0.1%	1.0%	-0.1%	0.5%	0.5%	2.7%
Control Group ¹	-0.1%	1.2%	-0.2%	0.4%	0.9%	3.6%
Motor vehicles, parts	1.6%	0.2%	-0.3%	4.4%	-3.6%	3.4%
Furniture	-1.3%	0.7%	-0.1%	1.5%	0.6%	1.5%
Electronics	2.3%	-2.9%	-2.4%	0.1%	-1.5%	-2.3%
Building materials	0.5%	1.0%	0.3%	0.9%	1.5%	2.8%
Food, beverages	0.1%	1.0%	-0.4%	0.9%	0.2%	2.7%
Health, personal care	-1.1%	2.3%	0.4%	1.9%	0.7%	1.6%
Gasoline stations	0.1%	-0.9%	-0.9%	0.5%	-2.1%	-7.1%
Clothing	-0.2%	0.9%	-0.9%	0.2%	0.1%	2.9%
Sporting goods	-1.1%	0.9%	0.3%	-1.0%	-0.1%	-3.4%
General merchandise	0.2%	0.6%	-0.3%	0.8%	0.0%	3.1%
• Department stores	-0.2%	0.4%	-1.1%	-0.3%	0.4%	0.0%
Miscellaneous	-1.6%	2.2%	1.0%	-0.8%	1.6%	4.0%
Non-store retailers	0.3%	1.7%	0.0%	-0.3%	2.3%	7.0%
Eating, drinking	0.7%	1.2%	0.6%	0.6%	0.1%	4.3%

Source: Haver Analytics.

- The American consumer is alive and well, as whatever disappointments one can find in the details of October's US retail sales gains were more than offset by some lofty revisions to the September figures. Total sales rose by 0.4% (vs. 0.3% consensus), while the more important control group, which feeds into non-auto goods consumption in GDP, fell by 0.1% (vs. +0.3% expected). However, a positive revision to the September data now shows the latter group increased by 1.2% in that month, rather than the 0.7% pace that was initially reported, which more than negated the downside surprise for October. The control group is sitting 3.6% above year-ago levels, as strong wealth gains and real labor market income growth have bolstered spending. In volume terms, the control group looks to have posted a modest advance in October given drops in core goods prices, while a stronger handoff to the quarter sets the stage for solid consumption growth again in Q4.
- Today's report saw 8 out of 13 categories posting gains, with the largest increases coming from electronics, autos, and restaurant spending. Strong spending is keeping the inventory-to-sales ratio well below pre-pandemic norms for retailers, but core goods prices have seen deflation as supply chain issues have faded. As interest rates come down,

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

categories tied to housing activity will add to the momentum, with building material sales currently sitting below their Covid-era peaks.

- The strength in durable goods consumption has been bolstered by wealthy retirees that have near record levels of real net worth per-capita, and where savings rates have declined. Adding to that are millennials, who are benefitting from real labor income gains and who are willing to spend more income on discretionary items than generations before them.

Implications & actions

Re: Economic forecast — The solid handoff to Q4 suggests that goods consumption growth could exceed 4% annualized in the quarter, but that still represents a slowdown from Q3's torrid 6% pace.

Re: Markets — Bond yields and the US\$ rose as a result of the positive revisions in today's data.

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