

Economics

ECONOMIC FLASH!

economics.cibccm.com

October 14, 2022

US Retail sales flat line in mixed bag report

by **Karyne Charbonneau** karyne.charbonneau@cibc.com (613 552-1341)

Retail Sales (monthly % chg, unless otherwise noted)	Sep 2022	August 2022	July 2022	June 2022	May 2022	Sep YoY SA
Retail & food service	0.00%	0.4%	-0.4%	1.0%	0.4%	8.2%
• Ex-autos	0.09%	-0.1%	-0.1%	1.1%	1.3%	8.9%
Control Group ¹	0.35%	0.2%	0.4%	1.1%	0.8%	6.6%
Motor vehicles, parts	-0.40%	2.8%	-2.0%	0.6%	-3.4%	5.6%
Furniture	-0.73%	0.9%	0.1%	-1.2%	-1.1%	0.9%
Electronics	-0.77%	-0.4%	-0.3%	-0.5%	-2.6%	-8.6%
Building materials	-0.36%	1.4%	1.1%	-0.3%	0.2%	9.7%
Food, beverages	0.39%	0.3%	0.0%	1.1%	1.1%	6.4%
Health, personal care	0.48%	0.4%	0.6%	1.3%	0.1%	4.3%
Gasoline stations	-1.40%	-5.2%	-2.2%	2.7%	5.0%	20.6%
Clothing	0.46%	0.9%	-0.4%	0.7%	-1.4%	3.1%
Sporting goods	-0.66%	0.6%	0.0%	0.9%	0.9%	3.7%
General merchandise	0.74%	0.4%	-0.4%	2.3%	0.0%	3.7%
• Department stores	1.30%	1.0%	-0.1%	-1.7%	0.9%	1.8%
Miscellaneous	-2.52%	0.2%	-1.3%	3.8%	-2.2%	8.2%
Non-store retailers	0.53%	-0.3%	1.7%	0.3%	2.7%	11.6%
Eating, drinking	0.53%	1.8%	-0.8%	0.7%	1.0%	11.4%

Source: Haver Analytics.

- Retail sales flat lined in the US in September as consumers pulled back on spending in many areas. Spending fell in 7 of 13 categories in the month, leaving the headline number below consensus expectations for a 0.2% advance. This was partly offset by a positive revision to the prior month (now 0.4%, previously 0.3%). The control group of sales (ex. gasoline, autos, restaurants, and building materials) grew by a strong 0.4% on the month, above expectations for a 0.3% gain, which was compounded by a positive revision for August (now 0.2%, previously 0.0%). This leaves real sales for that group 6.7% above their pre-pandemic trend. While this report is mixed, the Fed will put much more weight on yesterday's CPI release when deciding on the rate path. As a result, the Fed is now likely to raise rates by 75 bps in November and could be on its way to a higher terminal point than previously thought.
- Spending on discretionary categories was a mixed bag, much like the overall report. Consumers spent less on sporting goods and, given the strong increase in restaurant prices, look to have pulled back on dining out in volume

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

terms. They, however, spent more on clothing, as retailers cut prices to attract demand. Much like last month, the decline in gasoline prices was larger than the decline in sales, implying another gain in real terms.

- In a reversal of last month's pattern, the fall in auto sales was in contrast to the earlier released unit sales data, implying monthly volatility in the types of cars purchased. 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, appliances and building materials, fell in September. Mortgage rates were rising in the month, and have since continued to do so, which should act to further hold back sales in these categories as home sales continue to fall.
- Online sales rebounded in September after a decline in August, 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.
- Though arriving late in the month, hurricane Ian likely pushed up spending on the margin in some categories as households prepared for the storm. It also could have acted as a small drag in areas such as dining out. The aftermath of the devastating storm are likely to continue impacting the data in October as people start the process of rebuilding.

Implications & actions

Re: Economic forecast — While this release was a mixed bag, and despite positive revisions, real spending on goods likely declined in the third quarter and will act as a drag on GDP growth. Some categories, including those tied to the housing market, show signs of weakening, but that will not be enough to slow down the Fed, which will put much more weight on yesterday's surprisingly high CPI numbers when deciding on the rate path. As a result, the Fed is now likely to raise rates by 75 bps in November and could be on its way to a higher terminal point than previously thought.

Re: Markets — Bond yields and the USD were already lower than yesterday prior to the release, and there weren't any sustained move after the release.

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority, and (c) in Australia, CIBC Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC") and (d) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2022 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC