

Economics

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US Retail sales move online in October

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Retail Sales (monthly % chg, unless otherwise noted)	Oct. 2021	Sep. 2021	Aug. 2021	Jul. 2021	Jun. 2021	Oct. YoY SA
Retail & food service	1.7%	0.8%	1.2%	-1.6%	0.9%	16.3%
• Ex-autos & gas	1.7%	0.7%	2.2%	-0.9%	1.7%	17.6%
Control Group ¹	1.6%	0.5%	2.7%	-1.8%	1.5%	12.9%
Motor vehicles, parts	1.8%	1.2%	-2.7%	-4.3%	-2.1%	11.5%
Furniture	0.4%	-1.1%	1.6%	-0.3%	-1.6%	11.9%
Electronics	3.8%	-0.2%	-4.3%	-1.1%	4.4%	18.4%
Building materials	2.8%	0.2%	1.6%	-1.1%	-1.4%	10.2%
Food, beverages	0.9%	0.2%	2.2%	-0.6%	1.0%	8.3%
Health, personal care	-0.6%	-1.0%	0.7%	-0.5%	4.6%	7.4%
Gasoline stations	3.9%	3.2%	1.7%	2.4%	3.6%	46.8%
Clothing	-0.7%	2.1%	0.0%	-2.6%	3.4%	25.8%
Sporting goods	1.5%	4.5%	-3.7%	-2.0%	-1.4%	17.6%
General merchandise	0.8%	2.0%	3.5%	-1.1%	2.4%	15.9%
• Department stores	2.2%	1.0%	2.2%	0.5%	5.8%	27.6%
Miscellaneous	2.8%	2.8%	2.3%	1.2%	4.3%	25.8%
Non-store retailers	4.0%	-0.8%	5.9%	-4.6%	0.1%	10.2%
Eating, drinking	0.0%	0.4%	0.0%	1.5%	2.4%	29.3%

Source: Haver Analytics.

- US retail sales accelerated by slightly more than expected in October, at 1.7%. The gain included a sizable contribution from online shopping, as the control group of sales, which excludes autos, gasoline, restaurants, and building materials, posted an upside surprise as it jumped by 1.6%. That left the control group of sales 23% above its pre-pandemic level. However, the October gain won't look as impressive in volume terms given higher prices. The elevated level of sales in the control group suggests that there is scope for softness ahead in that group as consumption shifts towards services into 2022. In the near-term, with many customers shopping early for the holidays and departing from normal holiday shopping patterns, December retail sales could show weakness on account of the seasonal adjustment process.
- The control group of sales (ex. autos, gasoline, restaurants, and building materials) was the main surprising element of the report. Looking at price gains in commodities outside of food, used cars, and energy, the 1.6% gain would still translate into a solid advance in goods spending during the month. Although restaurant reservations rose in October according to OpenTable data, receipts at restaurants were flat, suggesting lower volumes as prices rose. With new

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

Covid cases accelerating in recent days, and with risk of a further rise as activity moves indoors in the winter, the shift to spending on services could be delayed.

- The main contributing factor to the upside surprise in the control group of sales was a 4.0% advance in online shopping, leaving online sales 40% above pre-pandemic norms. Online shopping accounted for a third of the gain in total retail sales. With a large online retailer offering new holiday sales daily from early October through November, the strength in online shopping is set to extend into November. Customers at physical stores have also been warned to shop early for the holidays this year to try and avoid supply chain issues. The departure from the normal seasonal shopping pattern would then show up in weakness in December retail sales.
- Mobility at retail and recreation places has levelled off into mid-November, as Covid cases have accelerated, another piece of evidence suggesting that online shopping could continue to be a significant driver of sales into the holiday season. While a shift to online shopping was well underway prior to the pandemic, the trend has been accelerated and will prolong the recovery in retail space in the commercial real estate market, with fulfillment centers likely taking a lasting share of the market at the expense of retail stores.

Implications & actions

Re: Economic forecast — The upside surprise in the control group combined with the advance in unit auto sales suggests that goods spending is off to a stronger start in the fourth quarter than thought. However, that is in contrast to a deterioration in the outlook for services spending on account of the acceleration in new Covid cases lately. Excess savings accumulated throughout the pandemic will provide a means for an acceleration in spending in the spring of 2022, but that will be tilted heavily towards services.

Re: Markets — Yields rose following the upside surprise.

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