

U.S. Data Review

- Retail sales: sharp gain in October; detail less impressive

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Retail Sales

Retail sales jumped 0.8 percent in October, easily beating the expected increase of 0.5 percent. The auto component contributed to the surge, advancing 1.1 percent, which left a still-strong showing of 0.7 percent excluding autos.

Digging deeper into the results shows a less robust performance. The gasoline component contributed importantly to the increase in the headline figure with an increase of

3.5 percent, which probably reflected the influence of higher seasonally-adjusted prices; sales excluding autos and gasoline rose 0.3 percent, a moderate advance. The so-called retail control, a grouping that aligns more closely with the spending figures in the GDP accounts, also rose 0.3 percent. Revisions to retail sales are often important, and they were downward in August and September, totaling -0.2 percent both overall and excluding autos and gasoline.

Activity at building-supply stores was firm at 1.0 percent, perhaps stirred by recovery from Hurricanes Florence and Michael. This change might be viewed as a special factor rather than a sign of strong underlying demand; sales at building-supply stores in prior months had been drifting higher with an average advance of 0.2 percent per month in the first nine months of the year.

The report contained some clearly favorable developments. Sales at clothing and general merchandise stores both rose 0.5 percent, continuing solid performances that began in the later part of last year and showing that these brick-and-mortar outlets are learning to compete with on-line retailers. Interestingly, nonstore retailers had a slow month, with sales increasing 0.4 percent (versus an average of 0.8 percent in the prior 12 months). Restaurants and bars also had a slow month (-0.2 percent after a drop of 1.5 percent in September and a dip of 0.1 percent in August). However, activity had surged from May to July, and the longer-term trend remained upward.

All told, the report was not bad, but the robust headline figure overstates the underlying strength in retail activity.

Retail Sales -- Monthly Percent Change

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Total	0.2	0.6	-0.1	-0.1	0.8
Ex.-Autos	0.3	0.8	0.1	-0.1	0.7
Ex.-Autos, Ex.-Gas	0.3	0.8	-0.1	0.0	0.3
Retail Control*	0.3	0.9	-0.2	0.0	0.3
Autos	-0.1	0.0	-0.7	-0.1	1.1
Gasoline	0.6	0.4	1.6	-0.4	3.5
Clothing	-1.0	1.6	-3.0	0.8	0.5
General Merchandise	-0.2	1.1	0.0	0.0	0.5
Nonstore**	0.9	1.6	0.7	1.3	0.4

* Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

** Primarily online and catalog sales; also includes sales by fuel-oil dealers.

Source: U.S. Census Bureau via Haver Analytics