

U.S. Data Review

- Retail sales: soft in Sept; Q3 still solid

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Retail Sales

Retail sales fell 0.3 percent in September, notably weaker than the expected increase of 0.3 percent. A net upward revision equivalent to growth of 0.2 percent in the prior two months tempered the sting from the poor showing in September, but the latest monthly report was still disappointing. Although retail activity in September was slow, consumer spending in the third quarter was still respectable. Sales in July were strong, and August added to the advance. The give back in September was moderate. We estimate that real consumer spending in the GDP accounts in Q3 will post growth in the mid-two-percent area, a reading in line with the recent underlying average.

Retail Sales -- Monthly Percent Change

	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Total	0.5	0.4	0.7	0.6	-0.3
Ex.-Autos	0.5	0.3	0.9	0.2	-0.1
Ex.-Autos, Ex.-Gas	0.6	0.6	0.8	0.4	0.0
Retail Control*	0.8	0.6	0.8	0.3	0.1
Autos	0.4	0.7	0.1	1.9	-0.9
Gasoline	-0.2	-2.5	1.7	-1.3	-0.7
Clothing	-0.1	0.2	1.2	-0.7	1.3
General Merchandise	0.2	-0.6	0.9	-0.2	-0.3
Nonstore**	2.3	2.1	1.4	1.2	-0.3

* 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

Much of the softness in September occurred in the auto and building supply categories (off 0.9 percent and 1.0 percent, respectively), with the drops merely offsetting portions of surges in the prior month (autos up 1.9 percent in August and building materials up 2.3 percent). Sales at gasoline service stations also fell (off 0.7 percent), but the decline was influenced by lower prices. These changes could be viewed as statistical noise in volatile areas. A more surprising shift occurred in the nonstore area (primarily catalogue and internet), which fell 0.3 percent, a marked contrast to the usual advance of 0.7 to 1.0 percent. This drop might also be viewed as statistical noise, as results in the prior four months were unusually strong (average gain of 1.7 percent).

A few areas performed reasonably well in September. Furniture stores posted a gain of 0.6 percent after moving sideways in the prior few months. Sales at clothing stores surged 1.3 percent, but this area has been moving erratically in the past year or so, and thus the jump might not be the start of a clear upward trend. Activity in the miscellaneous category rose 0.5 percent after a surge of 2.6 percent in the prior month and good gains in the three months before that. The miscellaneous category in the past several months has stood out on the strong side.

All told, September posted slow results, but we would not conclude that the sluggish performance signaled lessening support from consumers. Much of the softness was the result of normal volatility, and consumer spending in the third quarter will still be respectable despite the slow results in September.