

U.S. Data Review

- Retail sales: households remained active in September

Michael Moran

Daiwa Capital Markets America
 212-612-6392
michael.moran@us.daiwacm.com

Retail Sales

Retail sales jumped 0.7 percent in September, a marked contrast to the expected decline of 0.2 percent. In addition, results in both July and August were revised upward, with the level of activity in August 0.4 percent firmer than previously believed.

Much of the surprise in the headline figure was the result of an increase of 0.5 percent in the auto category, which ended a four month slide driven by tight supplies. Higher prices undoubtedly played a role in this advance (the CPI showed an increase of 1.3 percent in the prices of new motor vehicles), but consumers were still purchasing and the level of activity in the auto sector remained comfortably above pre-pandemic norms. Food service and drinking places (i.e. restaurants and bars) also provided a surprise with an increase of 0.3 percent. The change was not overwhelming, but this area could have easily declined because of the spread of the Delta variant.

Elsewhere, results were generally firm, as shown by an increase of 0.8 percent in sales ex-autos. A few areas moved to new highs (general merchandise stores, nonstore retailers, and miscellaneous vendors), while others stayed within the elevated ranges that emerged with the recovery. The food and gasoline categories posted strong results (up 0.7 percent and 1.8 percent, respectively), but the changes most likely were driven at least partly by higher prices.

While the report was favorable, it did not meaningfully alter the view that real consumer spending in Q3 will post only modest growth in the next GDP report. The quarter started on a soft note (retail sales fell 1.6 percent in July), and thus the gains in August and September merely kept activity within the recent range rather than pushing it to new highs (chart). Also, a good portion of the increases in recent months was driven by higher prices rather than gains in real spending.

Retail Sales -- Monthly Percent Change

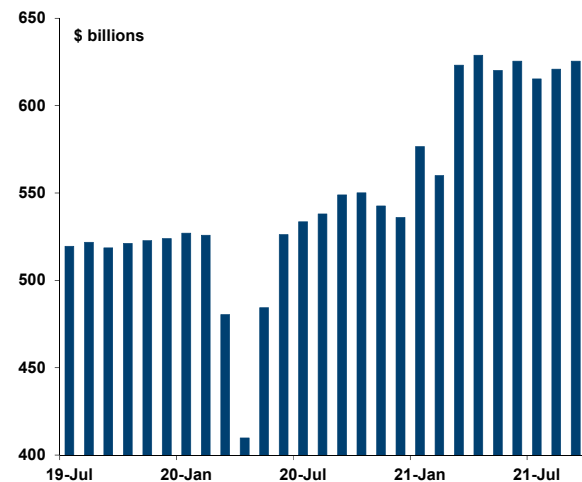
	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Total	-1.4	0.9	-1.6	0.9	0.7
Ex.-Autos	-0.4	1.7	-0.9	2.0	0.8
Ex.-Autos, Ex.-Gas	-0.7	1.5	-1.3	2.1	0.7
Retail Control*	-0.2	1.7	-1.2	2.2	0.7
Autos	-4.6	-2.1	-4.3	-3.3	0.5
Gasoline	1.8	3.6	2.4	1.0	1.8
Clothing	3.8	3.4	-2.6	0.4	1.1
General Merchandise	-2.9	2.4	-1.1	3.4	2.0
Nonstore**	-1.2	0.1	-4.6	5.7	0.6

* 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

Retail Sales



Source: U.S. Census Bureau via Haver Analytics