

U.S. Data Review

- Retail sales: larger-than-expected advance fueled by higher gasoline prices

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Retail Sales

- Following an upwardly revised increase of 1.3 percent in the prior month, retail sales beat expectations again in September with a 0.8-percent gain (firmer than the median projection of +0.3 percent from the Bloomberg economist survey), with eight of the 13 broad categories included in the report registering increases. On a year-over-year basis, headline activity was up 6.3 percent – up 0.7 percentage point from the prior month and within the upper end of the range displayed over the past several years. That said, transactions excluding motor vehicles/parts dealers and gasoline stations, a metric which provides a clearer picture of consumer spending trends, recorded a more contained increase of 0.2 percent (+5.0 percent year-over-year, up from +4.8 percent in August). Moreover, activity in the retail control group, which correlates with consumer outlays for goods in the GDP accounts, posted a lower-than-expected advance of 0.1 percent (+4.7 percent year-over-year, up modestly from +4.6 percent previously). Thus, despite a brisk headline advance, the internals of the report suggest restrained spending in the closing month of Q3.

- The jump in headline activity was driven in no small part by an increase of 6.4 percent in sales at gasoline stations, the largest one-month shift since the immediate post-war surge of 13.0 percent last March. To be sure, this advance can be largely attributed to higher prices at the pump (the average monthly price of regular-grade gasoline, as indicated by the U.S. Energy Information Administration, rose by 30 cents to \$4.36 in September). Relatedly, the gasoline component of the CPI rose 9.1 percent in the same month (published October 14). Thus, adjusting the increase in sales by said price index indicates that real activity actually eased (i.e., the rise in sales reflected higher prices rather than an increase in consumption).

Retail Sales – Monthly Percent Change

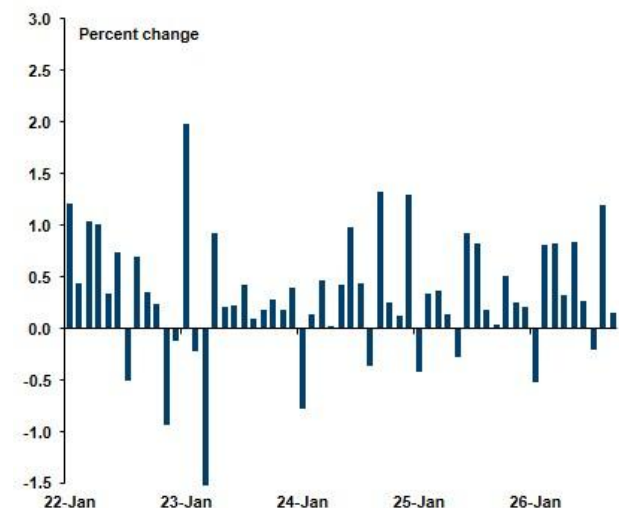
	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Total	1.0	0.2	-0.4	1.3	0.8
Ex.-Autos	1.0	-0.3	-0.1	1.4	0.9
Ex.-Autos, Ex.-Gas	0.8	0.4	-0.1	1.1	0.2
Retail Control*	0.8	0.3	-0.2	1.2	0.1
Autos	1.3	2.2	-1.7	0.7	0.2
Gasoline	2.5	-5.5	-0.2	4.0	6.4
Clothing	1.1	-0.6	1.3	0.6	0.0
General Merchandise	0.4	0.1	0.4	0.8	-0.1
Nonstore**	1.3	0.7	-1.4	2.0	0.3

* Retail sales excluding those from food services and drinking places; 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: Control Group



Source: U.S. Census Bureau via Haver Analytics

- Turning elsewhere, performance across categories varied widely. Standing out on the firm side, activity at furniture and home furnishing stores jumped 1.3 percent, the largest monthly increase since last May (+4.9 percent year-over-year). At the same time, transactions at health and personal care stores and electronics and appliance retailers rose 0.7 and 0.6 percent, respectively (-1.2 and +9.4 percent year-over-year). Conversely, miscellaneous store retailers saw a drop of 3.0 percent in sales (+10.9 percent year-over-year) while activity at building material and garden equipment and supplies dealers eased 0.6 percent (+4.5 percent year-over-year). Meanwhile, sales at food services and drinking places, the only service-related area in the retail sales report, rose a firm 1.1 percent (+7.0 percent year-over-year).
- Taking September's performance into consideration, we expect annualized growth in real consumer spending in Q3 to be in the vicinity of three percent. That projection, along with other data in hand, points to GDP growth in the upper-two-percent area. However, we remain hesitant in extrapolating that momentum into the end of 2026. While the consumer has been bolstered this year by larger-than-usual tax refunds and stock market gains, persistently elevated inflation, depressed sentiment, and drawn-down savings portend at least some moderation in spending in the months ahead.