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September Retail Sales: Headline Number Overstates The Case

- › Retail sales rose by 0.8 percent in September after rising 1.3 percent in August
- › Retail sales excluding autos rose by 0.9 percent in September after rising 1.4 percent in August
- › Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.1 percent in September

Total retail sales rose by 0.8 percent in September, easily outpacing the consensus forecast of a 0.3 percent increase and our forecast of a 0.1 percent increase, while ex-auto sales rose by 0.9 percent, again easily topping both the consensus forecast (0.5 percent) and our forecast (0.3 percent). Clearly, our forecasts of headline and ex-auto sales went badly off track, but we think the more relevant story of the September retail sales data is told by the following two metrics. First, retail sales excluding motor vehicles and gasoline were up by 0.2 percent, and control group sales were up by just 0.1 percent. While we still missed on our forecasts of these metrics, we were at least closer to the mark, as we expected sales excluding motor vehicles and gasoline to be flat and control group sales to be down by 0.1 percent (the consensus forecast looked for a 0.3 percent increase in control group sales). That our forecast of top-line sales was so off the mark while our forecast of control group sales was much closer largely reflects gasoline station sales and restaurant sales rising by much more than our forecast anticipated, with neither entering into control group sales. The places within the control group that we missed were furniture stores and electronics/appliance stores, both of which came in well ahead of our expectations, as we looked for weakness in the housing market to have held down sales in these categories. Sure, our attempt at forecasting total retail sales resembled a helpless hitter flailing away at a Jacob Misorowski fastball, but we at least made contact with our forecast of control group sales, a direct input into the GDP data on consumer spending on goods. All in all, the September retail sales data don't materially alter our outlook for consumer spending, and growth in both nominal and real consumer spending was slower in Q3 than in Q2.

In our preview of the September data, we noted that September is a slow month for consumer spending, as evidenced by there not being a single instance of not seasonally adjusted total, ex-auto, or control group sales having increased in the month of September, and that includes 2020, a year in which nothing was normal. We also noted that we expected this September's declines in sales to be smaller than the typical September declines, in part stemming from how late in the month Labor Day fell this year. That proved to be the case, with not seasonally adjusted total retail

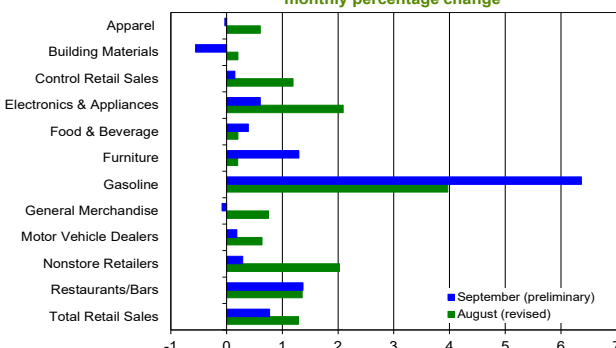
sales falling by 3.2 percent and not seasonally adjusted control group sales falling by 3.5 percent, each well smaller than is typical for the month of September. Seasonal adjustment, however, was a bit more supportive than we expected, thus flattering the headline sales numbers.

Sales at gasoline stations rose by 6.4 percent in September which, as noted above, easily topped our forecast. This reflects the sharp increase in gasoline prices, which the CPI data show rose by over nine percent in September. It is interesting to note that gasoline station sales rose on a not seasonally adjusted basis, the first September increase since 2017. Additionally, restaurant sales rose by 1.1 percent in September, which reflects a smaller than normal decline on a not seasonally adjusted basis (down by 3.0 percent). To our earlier point, sales at furniture stores rose by 1.3 percent while sales at electronics/appliance stores rose by 0.6 percent. Sales at apparel stores were flat in September, while sales at general merchandise stores fell by 0.1 percent. Another point we raised in our preview of the September data was that sales by nonstore retailers, a category dominated by online sales, would probably continue on the up-and-down ride they were on since June, owing largely to Amazon Prime Day(s) and other online promotions having been moved into June this year rather than their typical July slot and with the next wave of online promotions coming this month. That proved to be the case, with sales by nonstore retailers rising by 0.2 percent in September after having risen by 2.0 percent in August and having fallen by 1.4 percent in July.

Clearly, the increase in total retail sales in September says more about gasoline prices than it says about the state of U.S. consumers, with some help from seasonal adjustment. And while it is reasonable to assume that the spike in gasoline prices may have weighed on spending in other areas, we're not sure the paltry increase in control group sales says any more about the state of U.S. consumers than does the headline sales print. Again, September is a seasonally weak month for spending, a lull between back-to-school spending (note that sales at apparel stores and general merchandise stores were strong in August) and the holiday sales season. Lower income consumers are clearly feeling greater financial stress, but there are still supports in place for growth in total spending.



Retail Sales By Category
monthly percentage change



Growth In Real Spending Holding Up

