ECONOMIC UPDATE

REGIONS

November 17, 2026

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October Retail Sales: Spending Growth Remains On Solid Ground

- Retail sales rose by 0.2 percent in October after rising 0.8 percent in September (originally reported up 0.8 percent)
- Retail sales excluding autos rose by 0.6 percent in October after rising 1.1 percent in September (originally reported up 0.9 percent)
- Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.6 percent in October

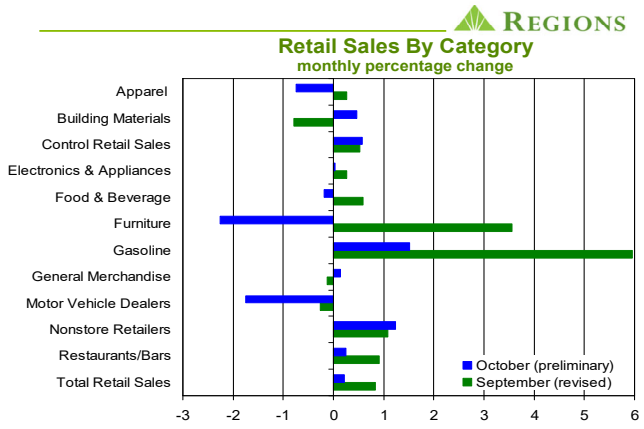
Total retail sales rose by 0.2 percent in October, matching our forecast, while ex-auto sales rose by 0.6 percent and control group sales, a direct input into the GDP data on consumer spending on goods, rose by 0.6 percent, also topping our forecasts. Our forecasts for total, ex-auto, and control group sales were each above the consensus forecast. Perhaps the bigger story in the October report is the upward revision to the initial estimates of ex-auto and control group sales for September. Recall that while total retail sales were reported to have risen by 0.8 percent in September, that was largely a function of a price-driven surge in gasoline station sales while control group sales were reported to have risen by just 0.1 percent. Revised estimates, however, show control group sales rose by 0.5 percent in September while ex-auto sales are now reported to have risen by 1.1 percent. Moreover, there was also an upward revision to the prior estimate of August control group sales which, along with the revised September data, now yield a considerably larger Q3 increase. To our point about control group sales flowing into the GDP data, this suggests faster growth in real consumer spending on goods than the 3.0 percent annual rate reported in the first estimate of Q3 GDP. At the same time, the larger than expected October increase suggests a firmer start to Q4 spending growth than we had anticipated in our baseline forecast. If nothing else, the report on October retail sales, including the revised estimates, is yet another illustration of the significant divide between what consumers are saying, i.e., the low reads on consumer sentiment, and what consumers are doing, i.e., the data on consumer spending.

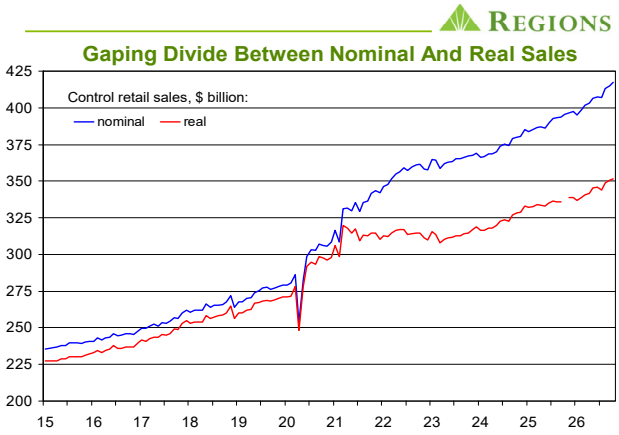
As our regular readers know, our judgments of much of the economic data, including the retail sales data, are made on the basis of the not seasonally adjusted data. To that point, in our preview of the October data we noted that we expected the October increases in total and control group sales to be pretty much in line with those seen last October while we expected seasonal adjustment to be a bit more giving this year than was the case last year. On a not seasonally adjusted basis, total retail sales rose by 4.5 percent and control group sales rose by 6.2 percent, shy of the 4.7 percent and 6.5 percent increases, respectively, we expected. That does not diminish the results reported in the seasonally adjusted data, however, given the upward revisions to the September data, particularly since the October increases are a bit larger than is typical for the month. In other words, the not seasonally adjusted data suggest consumers are on much firmer footing than implied by survey data.

That said, the gap between what consumers say and what they do is not the only notable gap to be mindful of, as the gap between nominal and real consumer spending not only remains substantial but continues to widen, as indicated in our second chart below. Clearly, higher goods prices are making their presence felt in the retail sales data, which are reported on nominal terms. Note from our chart that the pace of growth in nominal control group sales has picked up over the past few months, and recall that the October CPI data show a surprisingly large increase in prices for core (non-food, non-energy) consumer goods excluding used motor vehicles. Think about the gap between the blue and red lines in our chart as the cumulative increase in core goods prices over the past several years. That this gap continues to widen is another illustration of why the FOMC remains in play, even if supply side factors are responsible for much of the cumulative price increases seen over recent years.

As for the October data, only seven of the thirteen broad categories for which data are reported logged increases. Following up on September's 6.0 percent increase, sales at gasoline stations rose by 1.5 percent in October. Sales by nonstore retailers, a category dominated by online sales, rose by 1.2 percent on top of what were substantial upward revisions to prior estimates for August and September. On the flip side, furniture store sales fell by 2.3 percent, motor vehicle dealer sales revenue fell by 1.8 percent, and apparel stores fell by 0.7 percent. In the latter case, however, unadjusted sales were up 8.4 percent, topping the typical October increase, while the seeming weakness in furniture store sales in October has more to do with payback after a much stronger gain in September than typically seen in that month.

Despite the effects of rising prices, growth in real consumer spending remains firm. This reflects the many supports, including growth in labor earnings, that are helping carry consumers through some turbulent times.





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