

## Crash-for-Clunkers

U.S. retail sales declined 1.5% in September, as the end of the cash-for-clunkers program pulled vehicle and parts spending down 10.4%. The latter was the second weakest monthly reading in more than 12 years (surpassed only by Hurricane Katrina's impact in Sep-05 and worse than even 9/11). Excluding autos, retail sales rose 0.5%, which was stronger than expected. Despite lower gasoline prices, service station receipts rose 1.1%. Ex-autos and gas, retail sales still rose 0.4%, after rising 0.6% in August. Perhaps lower fuel prices convinced consumers to take that extra trip to the mall last month (in their shiny new cars), to take advantage of back-to-school sales. Last week, chain stores reported a stronger-than-expected seasonal sales lift. One surprising result was a 1.4% rise in furniture sales (which was probably more than just student desks and dorm fridges). This was the largest monthly gain in more than 2½ years, or since the U.S. housing sector began to freefall. While home sales have stabilized, such robustness might be hard to replicate in the months ahead.

	(month/month % change)			(% change : a.r.)	
	Sep	Aug	Jul	3-month	12-month
<b>Retail Sales</b>	-1.5	2.2	-0.1	2.1	-5.7
<b>Ex. Autos</b>	0.5	1.0	-0.5	4.0	-4.9
<b>Ex. Gasoline</b>	-1.7	1.9	0.0	0.7	-3.1
<b>Ex. Autos, Gas</b>	0.4	0.6	-0.3	2.4	-1.6
<b>Ex. Auto Dlr., Gas, &amp; Build. Mats.</b>	0.5	0.7	-0.2	4.0	-0.3
<b>Building Materials</b>	-0.2	-1.2	-1.8	-12.0	-13.0
<b>Furniture</b>	1.4	-0.8	0.2	3.3	-6.5
<b>Autos</b>	-10.4	7.8	1.7	-6.8	-9.3
<b>General Merchandise</b>	0.9	1.2	0.0	8.7	1.1
<b>Department Stores</b>	0.4	1.1	-0.5	4.3	-3.7
<b>Food Stores</b>	0.9	0.6	-0.4	4.5	0.2
<b>Apparel</b>	0.5	1.1	0.9	10.1	-1.3
<b>Gasoline</b>	1.1	4.7	-1.7	17.6	-25.3
<b>Restaurants</b>	0.2	0.6	-0.4	1.8	0.6

**The Bottom Line:** The back-to-back gain in retail spending ex-autos and gas follows five consecutive decreases. Interestingly, the back-to-back gain in January-February also followed five consecutive monthly declines. Consumers can't keep shrinking their spending forever. Eventually, clothes wear out and kitchen cupboards empty. However, with job losses continuing, unemployment rates grinding higher, increases in consumer confidence fizzling and credit remaining constrained, the economically more potent unleashing of postponed purchases is still likely far from hand.

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