

# U.S. Retail Sales Shake Off Clunkers Hangover

U.S. retail sales rose a stronger-than-expected 1.4% in October, revved up by auto sales (to above pre-cash for clunkers' levels) and pulled along by modest growth elsewhere. Excluding autos, sales rose 0.2%, somewhat softer than expected though that was the third straight monthly increase. Continued gains in clothing, food and general merchandise were partly offset by weakness in furniture sales. Restaurants saw a nice bounce in receipts, suggesting that discretionary spending is on the mend. The "core" measure (ex-autos, gasoline and building materials) that feeds into the BEA's estimate of personal consumption expenditure rose a solid 0.5%, showing little sign of slowing from previous months. This suggests that real consumer spending will increase upwards of 2% annualized in Q4, accelerating from the soft underlying (ex-cash for clunkers) rate (estimated at 1¼%) in Q3. Accordingly, real GDP will likely slow very little from the third quarter's 3.5% gain.

	(month/month % change)			(% change : a.r.)	
	Oct	Sep	Aug	3-month	12-month
<b>Retail Sales</b>	1.4	-2.3	2.4	6.0	-1.7
<b>Ex. Autos</b>	0.2	0.4	0.8	6.0	-2.6
<b>Ex. Gasoline</b>	1.5	-2.6	2.2	4.2	-0.2
<b>Ex. Autos, Gas</b>	0.3	0.3	0.4	3.8	-0.8
<b>Ex. Auto Dlr., Gas, &amp; Build. Mats.</b>	0.5	0.4	0.5	5.9	0.7
<b>Building Materials</b>	-2.4	-0.6	-1.8	-17.6	-15.0
<b>Furniture</b>	-0.8	0.8	-1.1	-4.2	-7.6
<b>Autos</b>	7.4	-14.3	10.2	5.6	2.6
<b>General Merchandise</b>	0.8	0.3	0.9	8.3	1.5
<b>Department Stores</b>	0.3	-0.2	1.1	4.8	-2.9
<b>Food Stores</b>	0.2	0.7	0.5	5.6	0.4
<b>Apparel</b>	0.4	0.6	1.5	10.6	1.5
<b>Gasoline</b>	0.0	0.9	5.0	26.5	-15.0
<b>Restaurants</b>	1.2	0.0	-0.3	3.7	1.5

**The Bottom Line:** With joblessness climbing and personal credit shrinking, one may ask how consumers can even think of spending again. However, the 90% of the workforce still employed likely feel better about their economic future (e.g., slowing job losses, rising equities and stabilizing house prices), and are starting to join in the recovery.

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