United States: A Rebound in Retail Sales at Last!

**HIGHLIGHTS**

- Retail sales rose 0.8% in October after dropping 0.1% (revised from +0.1%) in September.
- Auto sales jumped 1.1%, their strongest growth since March. Buoyed by higher gas prices, the value of service station sales leaped 3.5%.
- Excluding motor vehicles and gas, sales increased 0.3%. This comes on the heels of September’s stagnation and a 0.1% decline in August.
- Sales were up mainly in renovation centres, electronics stores and department stores. Furniture stores and food services saw declines in October.

**COMMENTS**

After a 0.1% decrease for two straight months in August and September, October’s rebound in retail sales is welcome. The increase is also bigger than the consensus predicted. However, the downward revisions in August and September data (both from +0.1% to -0.1%) have toned down today’s results. This is the first time since fall 2015 that retail sales have recorded two monthly decreases in a row.

We note that for most retailers, October sales mirror September sales. Therefore, the declines posted two months ago by car dealers, electronics stores, department stores and leisure goods stores gave way to increases in October. There is one notable exception to this movement: the very sharp 1.5% drop in food services in September was not followed by a rebound, but rather a 0.2% pullback. This is the first time since fall 2000 that this sector has recorded three consecutive monthly retreats. In consumption, this effect will be more evident in services than goods consumption, which should perform well in October.

**GRAPH**

*Strongest total sales growth since May*

**IMPLICATIONS**

Backed by strong consumer confidence and job market performance, household spending began the fourth quarter on the right foot. This should allow the Federal Reserve to continue the quarterly pace of key interest rate increases.

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