

Economic Indicator — October 17, 2023

# Surge in Retail Sales Reflects Consumer Living Large

## Summary

Consumers are spending more at bars & restaurants, at auto dealers and online. That's true on both a monthly basis and on trend over the past year. Consumers are looking for nothing but a good time, and it is hard to resist seeing the upside risk to the outlook.

Economist(s)

**Tim Quinlan**

Senior Economist | Wells Fargo Economics  
 Tim.Quinlan@wellsfargo.com | 704-410-3283

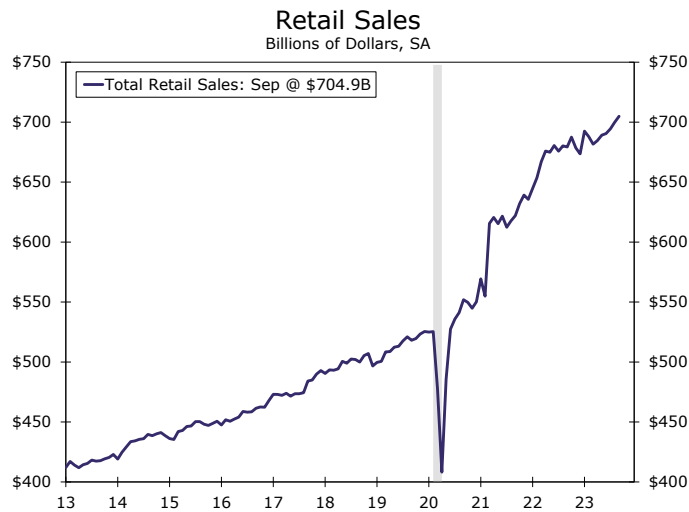
**Shannon Seery**

Economist | Wells Fargo Economics  
 Shannon.Seery@wellsfargo.com | 704-410-0369

U.S. Retail Sales: September 2023												
	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
<b>Retail Sales (MoM)</b>	1.2	-1.3	-0.7	2.8	-0.7	-0.9	0.4	0.7	0.2	0.6	0.8	<b>0.7</b>
<b>Retail Sales (YoY)</b>	8.8	6.1	6.0	7.4	5.3	2.2	1.3	2.1	1.5	2.8	2.9	<b>3.8</b>
<b>Retail Sales (% Change from Jan-20)</b>	31.0	29.2	28.3	31.9	31.0	29.8	30.4	31.3	31.5	32.3	33.3	<b>34.3</b>
<b>Retail Sales, Ex. Autos (MoM)</b>	1.1	-1.1	-0.5	1.9	-0.5	-0.8	0.3	0.4	0.1	0.8	0.9	<b>0.6</b>
<b>Retail Sales, Ex. Autos (YoY)</b>	9.6	7.4	7.2	8.4	6.4	2.5	1.6	1.4	0.5	1.7	2.5	<b>3.2</b>
<b>Control Group Sales (MoM)</b>	0.4	-0.9	0.2	1.7	0.0	-0.7	0.6	0.5	0.3	0.9	0.2	<b>0.6</b>
<b>Control Group Sales (YoY)</b>	7.3	5.7	6.5	6.5	6.3	4.1	3.6	3.9	3.4	4.4	3.7	<b>3.7</b>
<b>Real Retail Sales (MoM)</b>	0.5	-1.1	0.0	2.4	-0.8	-0.6	-0.1	0.8	0.1	0.5	-0.4	<b>0.6</b>
<b>Real Retail Sales (YoY)</b>	0.2	-0.8	1.1	2.9	1.7	0.6	-0.8	1.3	2.4	3.0	1.3	<b>2.3</b>
<b>Real Retail Sales (% Change from Jan-20)</b>	8.9	7.7	7.7	10.3	9.4	8.8	8.6	9.5	9.6	10.2	9.7	<b>10.8</b>

Notes: MoM = Month-over-Month Percent Change  
 YoY = Year-over-Year Percent Change

Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Economics



Source: U.S. Department of Commerce and Wells Fargo Economics

## Living Their Best Life

It was another upside surprise for retail sales in September with a 0.7% increase on the month. That was more than double the consensus expectation for a mere 0.3%. The fact that the gain came atop an upward revision to prior months' sales means no excuses for frustrated forecasters, ourselves included. It has been a pencil-breaking torment to tally the impact of resumed student loans payments, diminished pandemic-era savings and higher cost of credit only to observe the devil-may-care mindset of a consumer that somehow finds a way to keep spending. We have repeatedly underestimated the U.S. consumer. But in pulling off this spending spree, consumers have dented their household finances, a theme that is evident not only in the diminished savings, but also the trend rise in credit card delinquencies.

Consumers have lived their best life over the past year (chart). The top four categories on a trailing 12-month basis are (in descending order) bars & restaurants (+9.2%), ecommerce (+8.4%), drugstores (+8.3%) and motor vehicles and parts (+6.2%) (chart). All four of these categories notched impressive monthly gains of at least 0.8% in September as well.

The stay-at-home categories that flourished in COVID are the weak spots. Some top losers over the past year are: furniture and home furnishings (-5.9%), building material and garden stores (-4.0%) and sporting goods (-2.1%). All three of these categories were flat or down for the month of September.

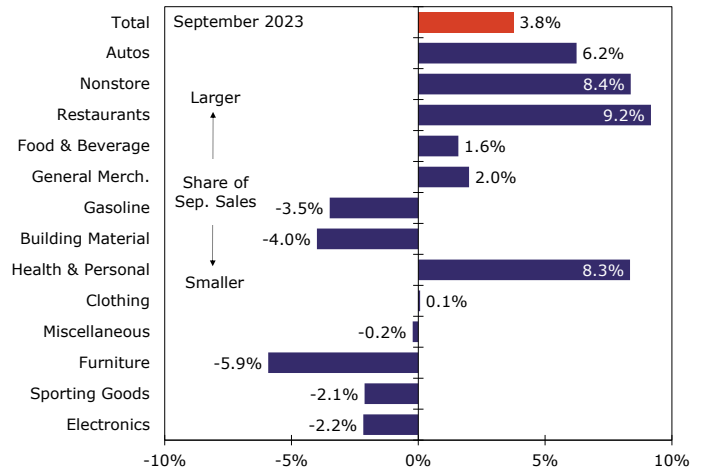
## How Do You Doubt Me Now?

Consumer resilience remains intact; that's the takeaway from this report. The broad-based nature of sales increases across retailers speaks to the sturdiness in spending. Pandemic-related sources of spending like excess savings and easy access to cheap credit are fading, but what this report tells us is that households have grown more comfortable spending at elevated rates.

The personal savings rate, which is derived from the more comprehensive personal income & spending report (released next Friday for September), remains well-below pre-pandemic levels at 3.9% as of August (chart). We have long stressed that real income is the last major driver of spending, and continued labor market tightness suggests income can continue to fuel consumption in the near term. In fact, the only thing that looks to break the back of this consumer would be weakness in the labor market, which at the moment is difficult to point to. Households have looked through sky-high inflation, rising rates, geopolitical conflicts, and... they have kept spending. Many households even started resuming student loan payments as early as August. As we anticipated, it's had little initial impact on spending, and the payment resumption makes the September retail sales gains look even stronger given it came with increased obligations elsewhere.

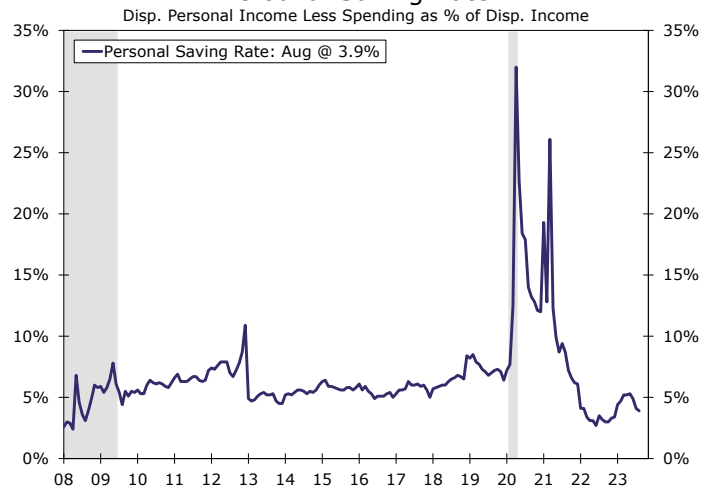
Continued consumer resilience could keep pressure on inflation and thus the Fed, but we still view the balance of risks becoming more balanced as far as the Fed's concerned. Another rate hike before the end of the year is a possibility, but our base case remains that the last rate hike of the tightening cycle occurred in July.

Change in Retail Sales  
Year-over-Year Percent Change



Source: U.S. Department of Commerce and Wells Fargo Economics

Personal Saving Rate



Source: U.S. Department of Commerce and Wells Fargo Economics

**Subscription Information**

To subscribe please visit: [www.wellsfargo.com/economicsemail](http://www.wellsfargo.com/economicsemail)

Via The Bloomberg Professional Services at WFRE

**Economics Group**

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Seery	Economist	704-410-0369	Shannon.Seery@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Patrick Barley	Economic Analyst	704-410-1232	Patrick.Barley@wellsfargo.com
Jeremiah Kohl	Economic Analyst	704-410-1437	Jeremiah.J.Kohl@wellsfargo.com
Aubrey George	Economic Analyst	704-410-2911	Aubrey.B.George@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Coren Burton	Administrative Assistant	704-410-6010	Coren.Burton@wellsfargo.com

## Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. ("WFBNA"). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation offer or solicitation with respect to the purchase or sale of any security or other financial product nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report. The views and opinions expressed in this report are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2023 Wells Fargo Bank, N.A.

### Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority ("FCA"). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE