

Economic Indicator — November 15, 2024

## A Solid October for Retail Sales & Upward Revisions

### Summary

Giddy up Jingle-horse, retailers reported another better-than-expected month in October even as September's sales numbers were revised sharply higher. An otherwise lackluster year for retailers is gaining some last-minute momentum just as Holiday Sales get underway in November and December.

Economist(s)

#### Tim Quinlan

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

#### Shannon Seery Grein

Economist | Wells Fargo Economics  
shannon.grein@wellsfargo.com | 704-410-0369

#### Jeremiah Kohl

Economic Analyst | Wells Fargo Economics  
Jeremiah.J.Kohl@wellsfargo.com | 212-214-1164

U.S. Retail Sales: October 2024												
	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
<b>Retail Sales (MoM)</b>	0.3	0.4	-1.1	0.7	0.5	-0.2	0.2	-0.3	1.2	-0.1	0.8	<b>0.4</b>
<b>Retail Sales, Ex. Autos (MoM)</b>	0.1	0.3	-0.8	0.3	0.6	0.1	0.0	0.5	0.5	-0.1	1.0	<b>0.1</b>
<b>Control Group Sales (MoM)</b>	0.3	0.6	-0.4	0.0	0.8	-0.3	0.4	0.9	0.4	-0.2	1.2	<b>-0.1</b>
<b>Real Retail Sales (MoM)</b>	0.7	0.4	-0.8	0.3	0.3	-0.4	0.6	0.1	1.3	0.0	1.0	<b>0.4</b>
<b>Retail Sales (YoY)</b>	4.0	5.5	0.3	2.1	3.6	2.8	2.6	2.0	2.9	2.0	2.0	<b>2.8</b>
<b>Retail Sales, Ex. Autos (YoY)</b>	3.6	4.6	0.9	2.0	3.7	3.2	2.9	3.3	3.2	2.3	2.5	<b>2.7</b>
<b>Control Group Sales (YoY)</b>	4.9	5.6	2.5	2.6	4.6	3.4	3.4	4.0	3.7	3.4	4.1	<b>3.8</b>
<b>Real Retail Sales (YoY)</b>	4.1	4.7	0.2	1.8	3.0	2.4	2.5	2.3	3.2	3.1	3.4	<b>4.0</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

## Solid October on the Heels of an Even Better September

It was another better than expected month for retailers in October, a feat made even more impressive by the fact that revisions doubled last month's increase (chart). The initially reported September increase of 0.4% was lifted to 0.8% in the revision. The 0.7% gain in September control group sales, a proxy for personal spending in the GDP report, was revised to a 1.2% surge. That makes September the strongest month of 2024 for core spending and notches the biggest monthly pop since January 2023.

On that basis, the scant 0.1% giveback in control group sales is not terribly disconcerting. The strong finish to Q3 put PCE spending on track for a decent finish in the home stretch. Our forecast for Q4 consumer spending is 2.0%, and today's retail sales figures point to some upside risk.

Eight of the thirteen categories of stores boasted better sales in October (chart). Despite Prime Day occurring during the month, ecommerce saw only a modest gain of 0.3%. Even so, the category is still up 9.4% over the past year, the most of any category.

## Going Out to Eat is So Expensive, Let's Do More of It

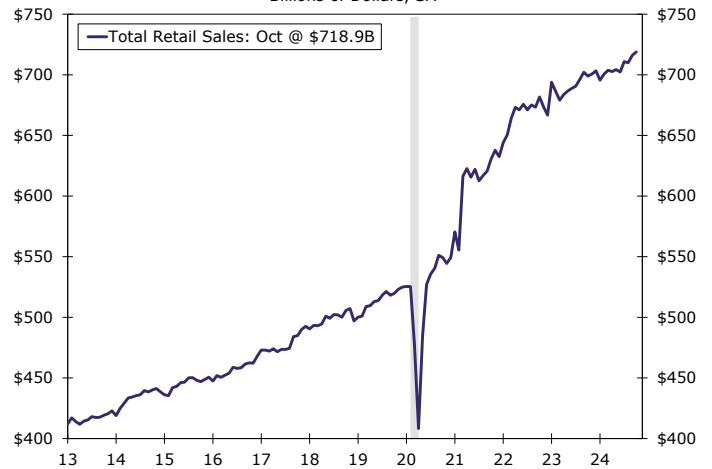
Electronics and appliance stores saw a 2.3% gain, the biggest increase in October sales of any store type. Sales at these stores are still down slightly from a year ago. The next largest gainer was autos and auto parts sales.

Prices are still high even if inflation is not. Still, the moderation in the pace of price growth is allowing consumers to ratchet up spending in some fun categories even as they continue to scale back in others. Grocery bill prices jumped 0.4% in September, but advanced just 0.1% in October according to the CPI report released this week. The 0.1% nominal gain for grocery store spending in today's report for October suggests most shoppers are going home with about the same amount of stuff, they are just not having to shell out as much additional money as they did in September.

Food away from home inflation remains elevated relative to its pre-pandemic pace, but has cooled off over the past year. In fact the year-over-year increase in the cost of going out to eat is 3.8%—the smallest one year change since the spring of 2021. Spending at bars and restaurants jumped 0.7% in September. That takes the year-over-year gain in this category to 4.6%. People may not love how much it costs to go out to eat, but their bar and restaurant spending is growing faster than prices are.

### Retail Sales

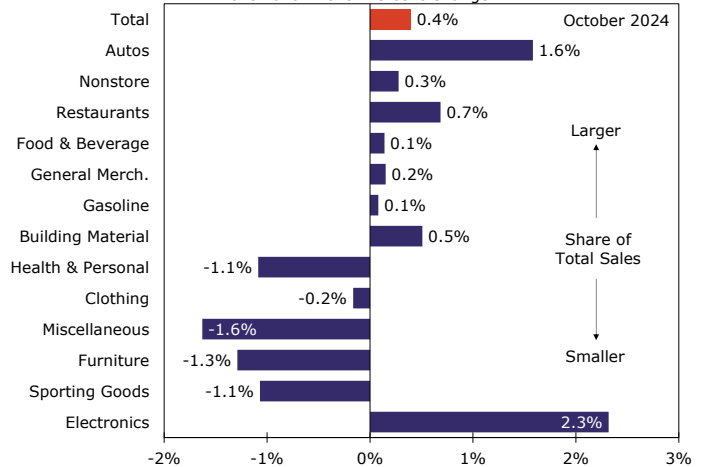
Billions of Dollars, SA



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

### Monthly Change in Retail Sales by Retailer

Month-over-Month Percent Change



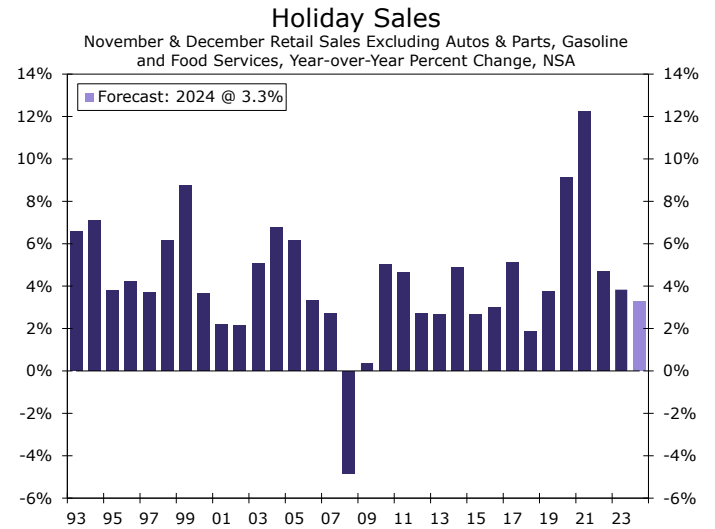
Source: U.S. Department of Commerce and Wells Fargo Economics

## Holiday Sales

This is the last retail sales report before the official start to the holiday shopping season. Our definition of holiday sales includes total retail sales less sales at auto dealers, gasoline stations and restaurants in November and December. We learned today that through October those categories are up 2.8% year-to-date. We forecast holiday sales to increase 3.3% through year-end which, if realized, would be the smallest annual gain of the past five years ([chart](#)). Today's retail sales data place holiday sales growth almost perfectly on pace to reach our forecast.

There is a missing tailwind this year: sales momentum is as modest as it has been in several years. With already reported data for the first ten months of the year, we know that consumers are coming into this year's holiday season in pretty average shape. Despite broader spending continuing at a robust clip, the retailers we include in our holiday sales measure have seen sales rise at a very slow pace. Since our forecast compares November and December sales to last year's levels, the low base so far this year makes for lower year-ago comparisons.

We expect current conditions to allow for a decent holiday sales season for retailers, but we are still likely to see the slowest pace of annual sales growth since ahead of the pandemic, and we remain cautious on the prospects for spending in the new year. We will provide updates to our holiday sales estimates as the retail sales data come in and keep you apprised on how the holiday sales season evolves.



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

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**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 Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@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
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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