



Economics Group

Eugenio J. Alemán, Senior Economist
eugenio.j.aleman@wellsfargo.com • (704) 410-3273

Retail & Food Service Sales End Q3 with a Bang

Retail sales ended the third quarter with a bang, increasing 1.6 percent in September. This will give a boost to personal consumption expenditures, which started the third quarter on a weak note.

Strong Auto Sales Drive September Retail Growth

Retail and food services sales surged 1.6 percent in September, a bit slower than the 1.7 percent estimated by consensus but still very strong to close the third quarter on a positive note. Excluding automobile sales, which surged 3.6 percent during the month, retail and food services sales also increased a strong 1.0 percent compared to August. Meanwhile, gasoline sales also rose strongly, up 5.8 percent during the month as gasoline prices increased considerably due to the effects of the hurricane in Texas that affected some refineries in the Houston region.

Another strong sector of retail in September was building material & garden equipment & supplies dealers, which increased 2.1 percent in the month. On the other hand, food & beverage stores sales were up 0.8 percent with grocery store sales improving 1.0 percent. Clothing & clothing accessories stores sales inched up 0.4 percent while general merchandise stores sales were up 0.3 percent. However, within general merchandise stores sales, department store sales were lower once again, this time by 0.4 percent. Miscellaneous store retailers' sales were also down in the month, by 0.6 percent. Other weak sectors during September were sporting goods, hobby, book & music stores' sales, down 0.2 percent; health & personal care stores' sales, down 0.4 percent; electronics & appliance stores' sales down 1.1 percent and furniture & home furniture stores' sales down 0.4 percent.

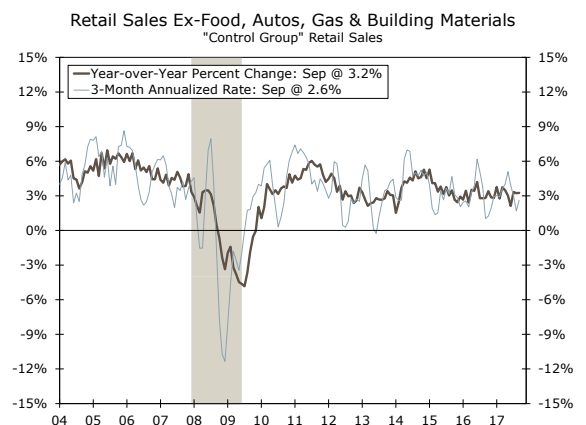
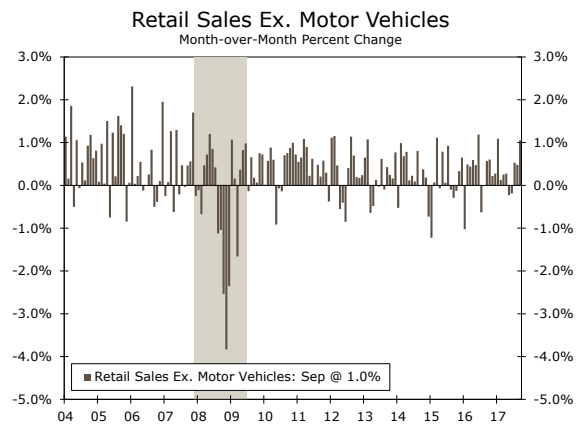
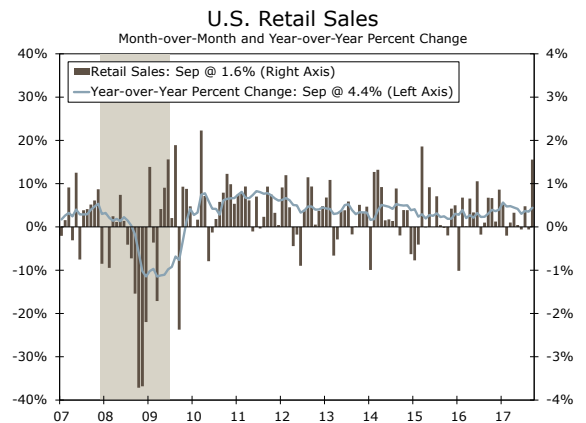
Meanwhile, non-store retailers' sales were up 0.5 percent in the month while on the service side of the retail report, food services & drinking places' sales increased 0.8 percent.

Overall, the retail & food services report for September was strong but it was also a mixed bag in terms of sector performance with very strong sectors, i.e., autos and gasoline sales, as well as very weak sectors, i.e., electronics & appliance stores' sales, etc.

Control Group Sales Recovers in September

Perhaps the best news in this retail sales report was the recovery in control group sales, which is a sector that goes into the calculation of personal consumption expenditures. Control group sales' was up 0.4 percent in September and was upwardly revised to 0.0 percent in August after a very strong 0.7 percent increase in July. This means that personal consumption expenditures (PCE) growth will remain relatively strong in the third quarter of the year even though it may not repeat the strength we saw in the second quarter of the year.

The implications are that either the consumer continued to bring down savings and/or increased credit use in order to support higher PCE growth in the face of a still weak performance by personal income during the third quarter of the year.



Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloría@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
E. Harry Pershing	Economic Analyst	(704) 410-3034	edward.h.pershing@wellsfargo.com
Hank Carmichael	Economic Analyst	(704) 410-3059	john.h.carmichael@wellsfargo.com
Ariana Vaisey	Economic Analyst	(704) 410-1309	ariana.b.vaisey@wellsfargo.com
Abigail Kinnaman	Economic Analyst	(704) 410-1570	abigail.kinnaman@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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