# TD Economics

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**Data Release: U.S. retail sales slide in September**

- Following seven consecutive monthly gains, U.S. retail sales fell by 0.3% m/m in September. The headline number fell more than the 0.1% drop markets were expecting. There were no revisions to the prior months' readings.

- Core retail sales, which exclude autos and gasoline, also disappointed, edging lower by 0.1%. Similar to the headline number, core retail sales also came in below market expectations, which called for a 0.4% gain.

- Losses were fairly broad-based, with 8 out of 13 subcomponents edging lower on the month. Building materials (-1.1% m/m), non-store retailers (-1.1% m/m), furniture stores (-0.8%), motor vehicles (-0.8% m/m) and gasoline (-0.8% m/m) were among the categories to see the largest declines.

- Meanwhile, sales rose in general merchandise stores (+0.2%) and eating & drinking places (+0.6%). Sales of electronics (+3.4%) and health & personal items (+0.3%) also increased, while sales of food & beverages remained flat on the month.

**Key Implications**

- This was a disappointing report any way you slice it. The more somber consumer mood was telegraphed in September's decline in consumer confidence. Moreover, weaker September auto sales and lower gas prices at the pumps were also expected to weigh on nominal retail sales. Still, the magnitude of the decline in both the headline and the core number surprised to the down side.

- Aside from autos and gas, some of the weakness came from the usual suspects – sales of building materials and furniture items – where performance has been choppy this year, largely reflecting the slow and uneven pace of recovery in the housing market.

- Perhaps one speck of good news in the otherwise gloomy report is falling gasoline prices. This will boost real income growth, leaving consumers with more to spend on discretionary items.

- Given the robust pace of job creation, we do not expect weakness in retail sales to be long-lasting. That being said, September's disappointing reading does represent a modest downside risk to real GDP forecast of 3.4% (annualized) for the third quarter.

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