



# Economics Group

**Tim Quinlan, Senior Economist**  
[tim.quinlan@wellsfargo.com](mailto:tim.quinlan@wellsfargo.com) • (704) 410-3283  
**Shannon Seery, Economic Analyst**  
[shannon.seery@wellsfargo.com](mailto:shannon.seery@wellsfargo.com) • (704) 410-1681

## October Retail Sales Signal Continued but Slower Growth

*Retail sales bounced back in October. Control group sales continued to rise at a solid pace, but have cooled from their breakneck pace earlier this year. This report does not materially change our outlook for holiday sales.*

### Bounce-back in Retail Sales

Retail sales bounced back in October, rising 0.3% over the month. This was a welcome sign after retailers saw the first decline in sales (-0.3%) in seven months in September. While the report was broadly positive, only six of thirteen retail categories reported higher sales, and with sales reported in nominal terms, we suspect some of the gains were price-related.

Overall sales were boosted by a 1.1% jump at gasoline stations, but we suspect that was related more to higher prices rather than increased trips to the pump. Earlier this week, we learned that higher energy costs were a driving factor in October's pickup in CPI inflation.

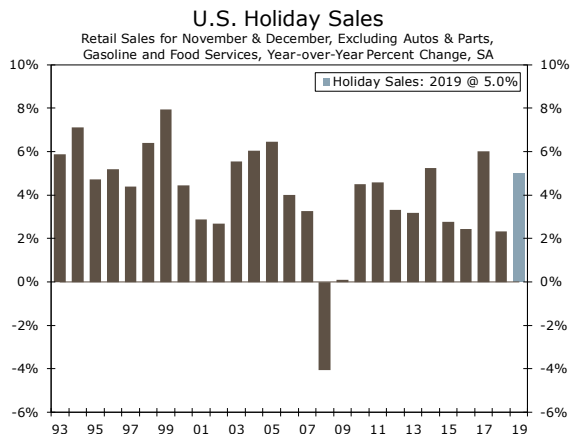
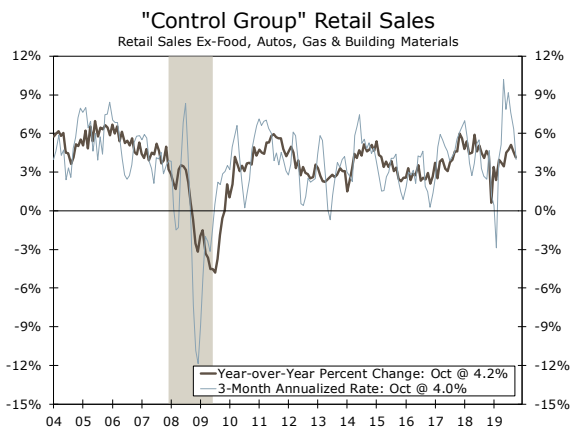
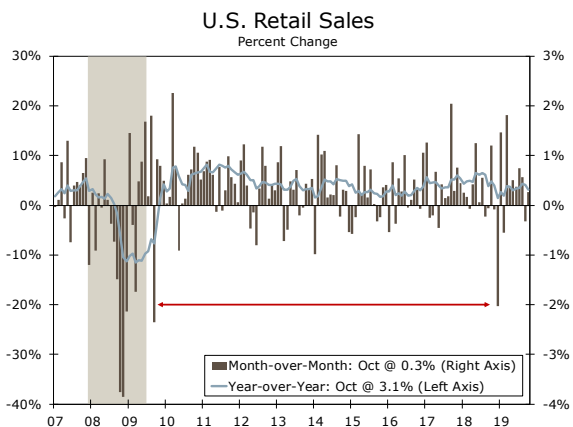
While retail gasoline prices measured by AAA actually moved more-or-less sideways in October, they averaged the month about 1% higher than where they were in September. A similar price story could be behind the 1.0% decline in sales at clothing stores, as apparel prices measured by the CPI declined 1.8% in October.

Motor vehicles & parts sales rose 0.5% in October. This was somewhat surprising, given we already knew sales at automakers dropped to a 16.55 million annualized unit pace in October—the weakest pace in seven months. The two measures do not always move together from month-to-month, and the dealer figures tend to be more accurate than the retail auto figures.

Looking through some of these volatile components, control group sales, which excludes sales at restaurants, gasoline stations, building materials stores and auto dealers, also rose 0.3%. That trend-like gain, however, wasn't enough to sustain the breakneck, and unsustainable, pace of growth in recent months, and pushed the three-month annualized rate down to 4.0% in October. While that is still a solid pace, it's the slowest in nine months. This sales measure feeds into the Bureau of Economic Analysis' calculation of personal consumption expenditures (PCE), meaning while we expect PCE to slow to about a 2% annualized pace in Q4, it is still off to a solid start.

With the holidays right around the corner, the October retail sales report does not materially change [our call](#) for a solid holiday sales season. Our holiday sales measure—which we define as total retail sales less sales at auto dealers, gasoline stations and restaurant—actually rose right in-line with our expectation for October. Admittedly, August and September sales were revised lower, but the October retail sales report still suggests no material change to our forecast of a 5% gain in 2019 holiday sales.

Our forecast is predicated on solid consumer fundamentals and consumer confidence remaining elevated, but also is boosted by low-base effects due to the oddly weak holiday sales season last year. Recall, while control group retail sales saw its largest decline since the recession, our measure of holiday sales saw their largest decline on record in December 2018. Those low-base effects alone boost year-over-year sales comparisons.



## Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Macro Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC. And Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2019 Wells Fargo Securities, LLC.

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

For recipients in the EEA, 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. 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. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE