

U.S. Flash

Consumer Spending on the Rebound as Retail Sales Grow

- Retail sales grew 1.1% on a MoM basis in September, following 1.2% growth in August
- Vehicle sales rose 1.3% to signal a second straight month of larger purchases
- Excluding vehicles and gasoline, sales were robust at 0.9% growth

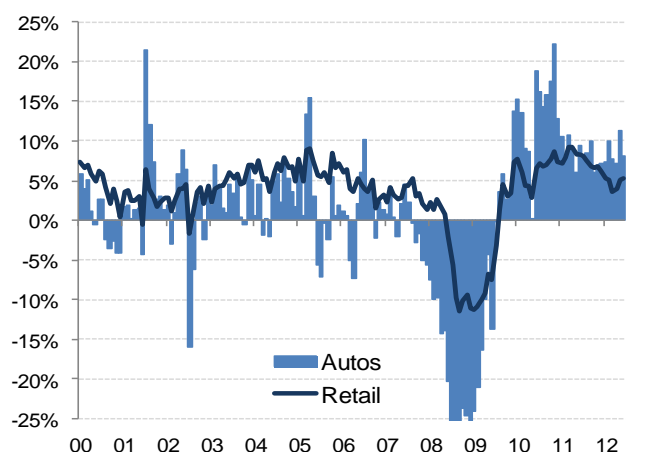
September saw moderate gains in retail sales as consumers head back to the shops and car lots. Levels have improved for the past three months, with sales up 1.1% in September following a significant upward revision to August figures (from 0.9% to 1.2%). Fearful of what the coming fiscal cliff and election might have brought on, expectations for September were low. However, it seems as though spending may be returning as three consecutive months of gains in retail sales reflect an overall improvement in the sentiment of consumers. Electronics were one of the largest drivers in September, evidenced by the 4.5% climb in electronics and appliance store sales, the highest gain since December of last year. Vehicle sales rose 1.3%, in line with the gains in unit sales that we have seen over the past few months, although the two series do not always move hand in hand. Most influential for September would be the imported side with a hefty 14% gain in unit auto sales. With strong growth in imports and domestic vehicle sales only sputtering along over the past months, we expect that this might translate into a boost in imports for the end of 3Q12 that may ultimately weigh on GDP growth for the quarter.

Retail sales less autos also grew in September, posting a 1.2% gain following last month's 1.1% increase. Gasoline sales increased 2.5% in September after jumping 6.1% in August. Excluding autos and gas, sales increased 0.9% for the month. This is a slight acceleration from last month, and the more vigorous growth from sales will hopefully keep its momentum as we enter the holiday season. With better than projected jobless claims for the last few weeks and an employment report that shed some light on job growth, retail sales stand poised to gain from a more relieved consumer basis, hopefully enough to influence spending for longer than the winter.

With this in mind, the third quarter should come to a close with consumer spending in positive and healthy territory. On average, retail sales increased 1.0% per month in 3Q12, significantly higher than the -0.5% average seen in 2Q12. Ultimately, this suggests that we should see at least a modest boost in personal consumption expenditures and its contribution to GDP growth for the third quarter. For the fourth quarter, a boost in spending related to the holiday shopping season will balance uncertainties regarding global fears and the fiscal cliff and election resolution.

Chart 1

Retail and Auto Sales
YoY % Change



Source: US Census Bureau

Kim Fraser
kim.fraser@bbvacompass.com
+1 713 831 7342

Alejandro Vargas
alejandro.vargas@bbvacompass.com
+1 713 831 7348

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