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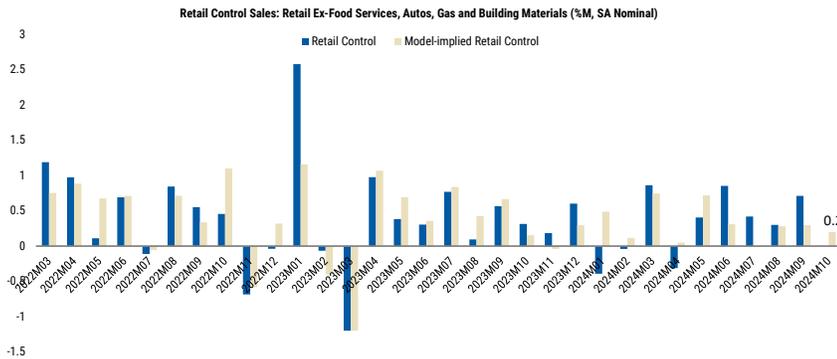
US Retail Sales Tracker: Stronger than the Storms

We forecast retail sales rose 0.3% in October and control-group sales 0.2%. Storms subtract from control-group sales but increase sales of building material. A report in line with our forecasts, along with the rise in unit motor vehicle sales, initiate 4Q tracking for real consumption at 2%.

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Exhibit 1: Monthly changes in Retail Control Sales



Source: Census Bureau, Morgan Stanley Research

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Slower but Still Up

We forecast retail sales +0.3%, control +0.2%, restaurants +0.8%. Storms subtract an estimated 0.1 pct pt from control group sales, but also cause higher spending on building materials. For real consumer spending, we estimate an 0.16% rise in October—consistent with 2% annual rate of growth for 4Q.

Building materials increase 1.1%M, over half of which we estimate is due to storms. We expect restaurant spending had another strong month—continuing to rise rapidly since July. Gasoline prices fell an estimated 1½% (seasonally adjusted), dragging down nominal gasoline station sales for the third month in a row; volumes have been inching up unevenly. On balance, a solid report: labor income growth continues to support the growth in retail spending.

Exhibit 2: Retail Sales Dashboard

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	
										MS	Consensus
Retail & food services	-1.1	0.7	0.5	-0.2	0.2	-0.3	1.2	0.1	0.4	0.3	0.3
ex autos	-0.8	0.3	0.6	0.1	0.0	0.5	0.5	0.2	0.5	0.3	0.3
Control-group	-0.4	0.0	0.9	-0.3	0.4	0.9	0.4	0.3	0.7	0.2	0.3
Autos	-2.2	2.2	-0.1	-1.0	1.1	-3.6	4.4	-0.4	0.0	0.5	
Gasoline	-1.4	1.9	0.8	1.6	-2.2	-2.1	0.5	-1.2	-1.6	-1.1	
Building Materials	-3.9	2.4	-0.2	0.4	-0.5	1.5	0.9	0.0	0.2	1.1	
Restaurants	-0.9	0.1	-0.1	0.6	0.1	0.1	0.6	0.5	1.0	0.8	

Source: Census Bureau, Morgan Stanley Research forecasts

"Control" Retail Sales & GDP Tracking

Control-group retail sales, which is retail sales excluding food services, autos, gas, and building materials, includes all of the retail sales components that feed through into the spending estimates for goods consumption in GDP. Also, food services affects our services consumption tracking. Revisions to retail sales data also feed through into our current-quarter tracking of consumption.

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