



## Retail Sales Rebound

Retail Sales came in mixed relative to expectations for October but did manage to rebound from September’s declines. At the headline level, sales ticked 0.3% higher m/m compared to forecasts for a gain of just 0.2%. Ex Autos and Ex Autos and Gas, however, sales were a bit lower than forecasts at 0.2% and 0.1%, respectively. Also, September’s sales results saw little in the way of revisions as the only change was a –0.1% downtick to the Ex Autos and Gas reading.

Of the thirteen sectors that make up the headline number, breadth was skewed towards the negative side once again this month as seven sectors saw m/m declines and six increased. At the top of the list, Gas Stations saw the strongest sales rising 1.1% and was the largest contributor to the upside beat at the headline level. Besides Gas Stations, the only other category of significant growth was Non Store (Online) sales which rose 0.92%. On the downside, the largest decliners were Clothing and Furniture which saw declines of close to 1% and Sporting Goods which dropped 0.80%.

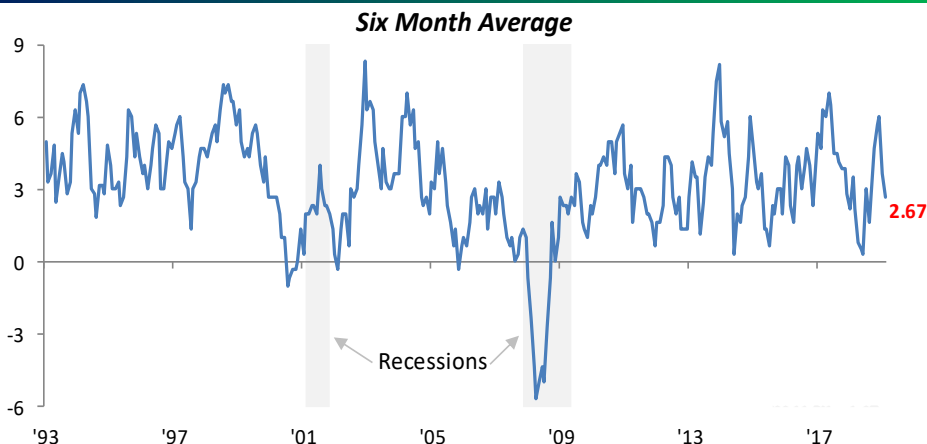
With breadth skewed towards the negative side for a second straight month, our six-month diffusion index declined, falling to 2.67 from 3.67 last month and a reading of 6.0 two months ago. The last time this index saw a two-month decline of that magnitude (-3.33) was in February 2015, and it is tied for the sixth largest two-month decline since 1993.

October Retail Sales		
	Actual (%)	Forecast (%)
Retail Sales (m/m)	0.3	0.2
-Ex Autos	0.2	0.4
-Ex Autos & Gas	0.1	0.3
September Retail Sales		
	Original (%)	Revised (%)
Retail Sales (m/m)	-0.3	-0.3
-Ex Autos	-0.1	-0.1
-Ex Autos & Gas	0.0	-0.1

### Retail Sales By Category: M/M Chg. (%)

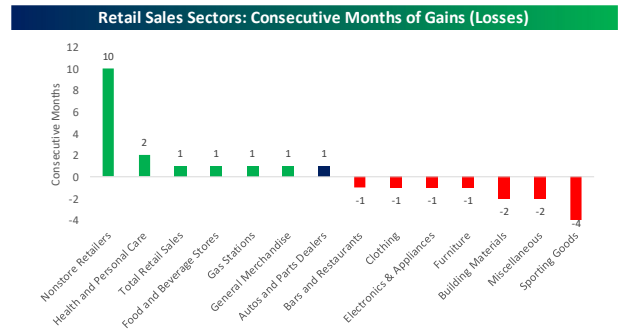
Category	One Month Change (%)
Gas Stations	1.10
Non Store (Online)	0.92
Autos and Parts Dealers	0.53
Food and Beverage Stores	0.46
General Merchandise	0.38
<b>Total Retail Sales</b>	0.26
Health and Personal Care	0.03
Bars and Restaurants	-0.30
Electronics & Appliances	-0.41
Building Materials	-0.48
Miscellaneous	-0.56
Sporting Goods	-0.80
Furniture	-0.91
Clothing	-0.96

Retail Sales Diffusion Index of Sectors Showing Growth: 1993 - 2019

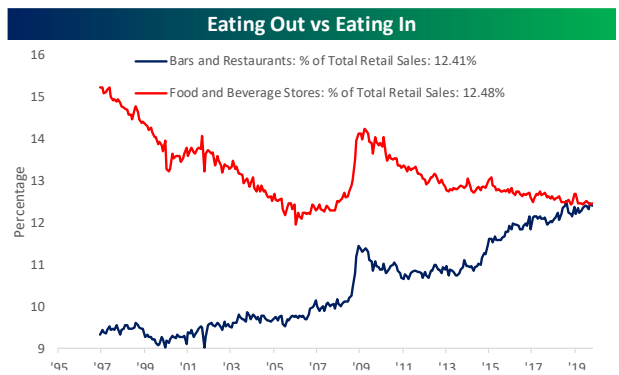




The table to the right shows each retail sector's streak of monthly gains or losses. One reason for the weakening breadth in sales is that the Non Store category continues to suck share from other sectors. Through October, the sector has now seen ten uninterrupted months of sales growth. What makes this streak even more incredible is that over the last four years, the sector has only had five months of negative sales. Every other sector has seen at least eleven months of negative sales over the same time period.

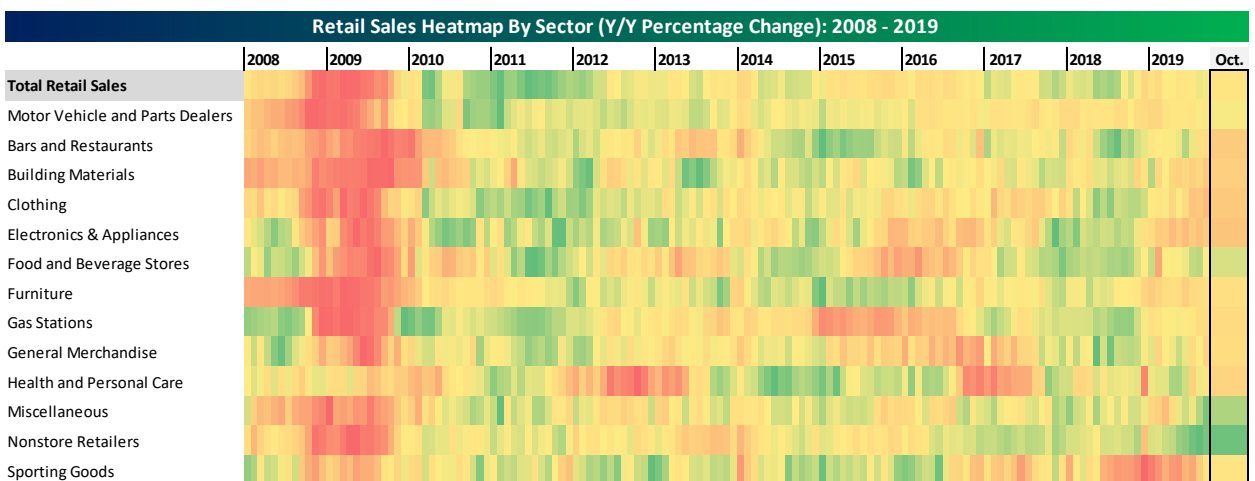


Bars and Restaurants, with sales declining 0.30% this month, took a step back in its horserace with Food and Beverage Stores for third place in terms of total share of sales. After Bars and Restaurants took a slight lead last month, it now trails Food and Beverage Stores by a slim margin of 0.07 percentage points. At this point, though, it's only a matter of time before 'Eating Out' exceeds "Eating In" and it stays that way.



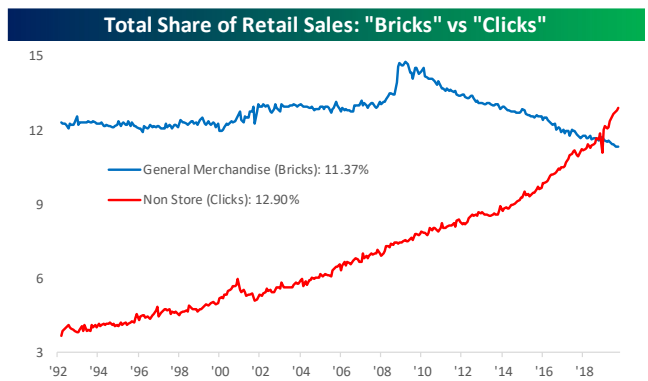
The heatmap below shows each sector's y/y change in sales since 2008, and historical charts of each sector are included on pages four and five. For each sector, red shading indicates periods where that sector saw its weakest sales growth, while green indicates periods of strength. In order to make recent trends easier to discern, the column for October has been widened.

In terms of strength and weakness, Non Store, Miscellaneous, and to a lesser degree, Food and Beverage stores, have all shown positive momentum in recent months. On the downside, there hasn't been much in the way of weakness, but Electronics and Appliances, Clothing, Building Materials, and Bars and Restaurants have shown slower momentum.

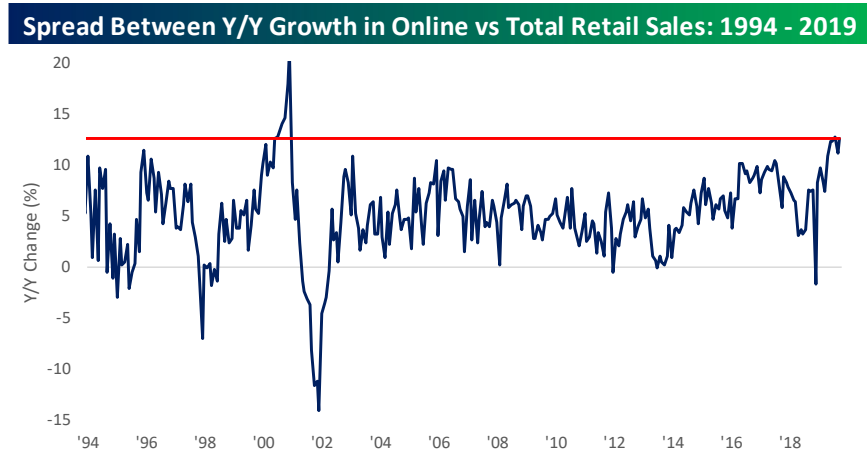
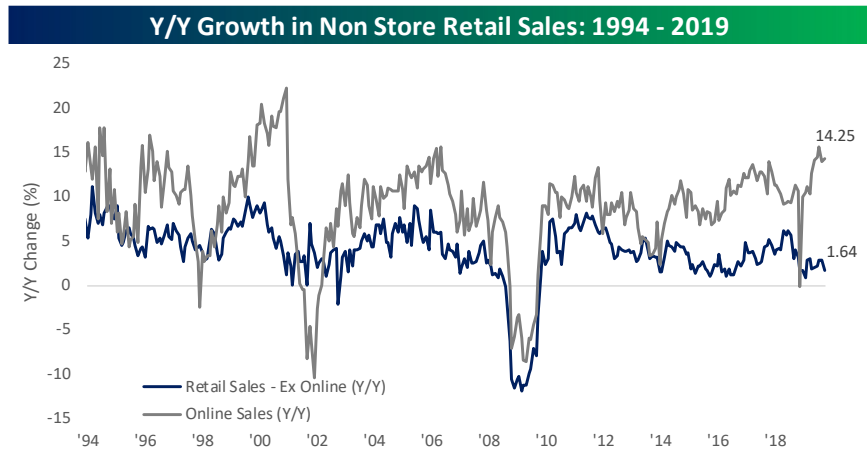




Since Non Store (clicks) sales first eclipsed General Merchandise (bricks) in terms of total share of retail sales last November, the sector has widened its lead by a considerable margin. Through October, Non Store sales account for close to 13% of all retail sales while the General Merchandise sector accounts for just 11.37%. That kind of shift in such a short period of time is extremely uncommon.

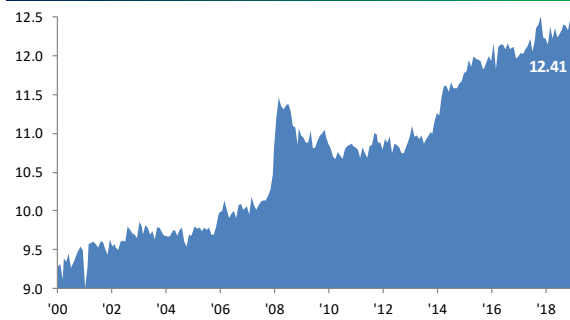


Another way to look at the wide disparity in retail sales between online and everything else is to compare each one's y/y sales pace. The chart below compares the y/y growth of Non Store (Online) sales versus Total Retail Sales Ex Online. While the y/y pace of online sales is near a 20-year high of 14.25%, the y/y sales pace for everything else is a paltry 1.64%. That works out to a spread of nearly 13 percentage points and is right near the widest levels since 2001. It's one thing when a relatively small group is such an outlier in terms of its overall sales strength relative to everything else, but nowadays the Non Store sector is the second largest sector in terms of total share, and it's growing more than eight times faster than the pace for everything else. Talk about a secular change!

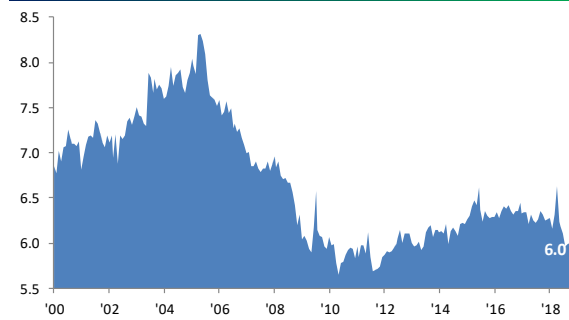




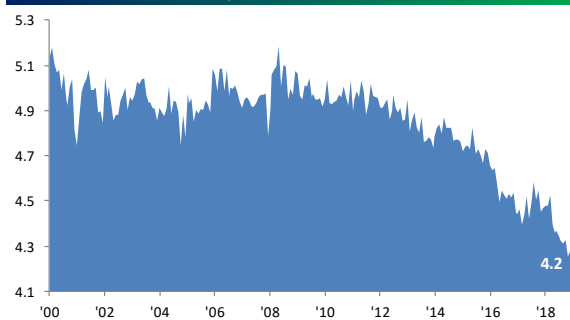
**Bars & Restaurants (% of Total Retail Sales)**



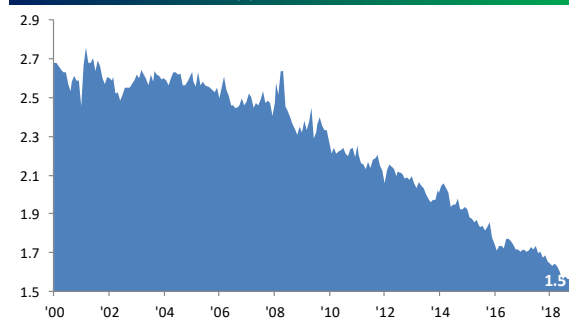
**Building Materials (% of Total Retail Sales)**



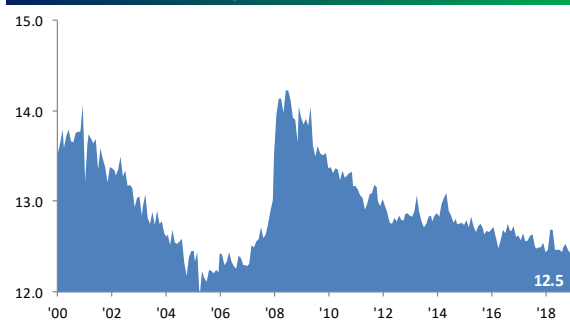
**Clothing (% of Total Retail Sales)**



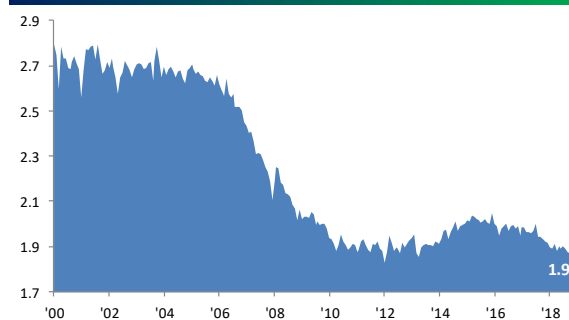
**Electronics and Appliances (% of Total Retail Sales)**



**Food and Beverage Stores (% of Total Retail Sales)**



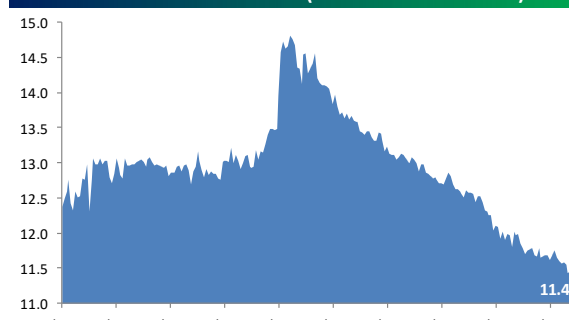
**Furniture (% of Total Retail Sales)**



**Gas Stations (% of Total Retail Sales)**

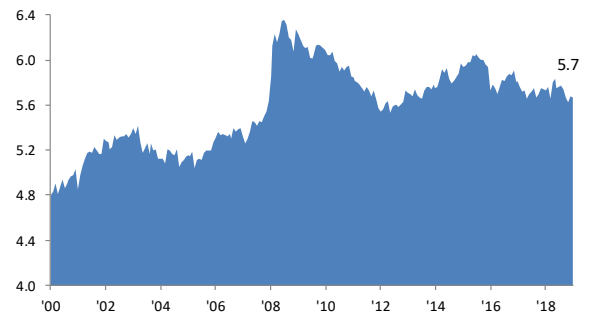


**General Merchandise (% of Total Retail Sales)**

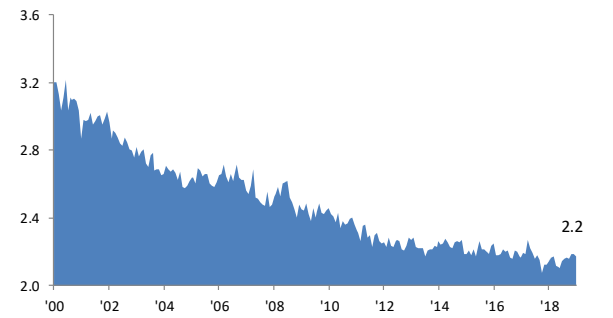




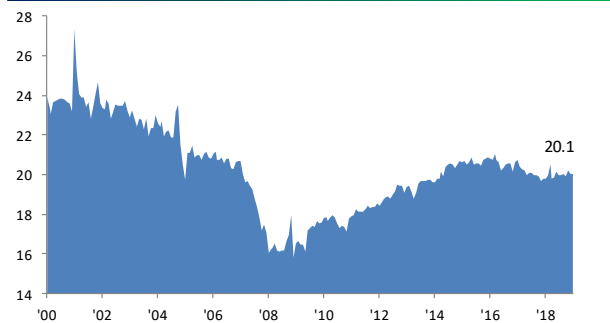
**Health and Personal Care (% of Total Retail Sales)**



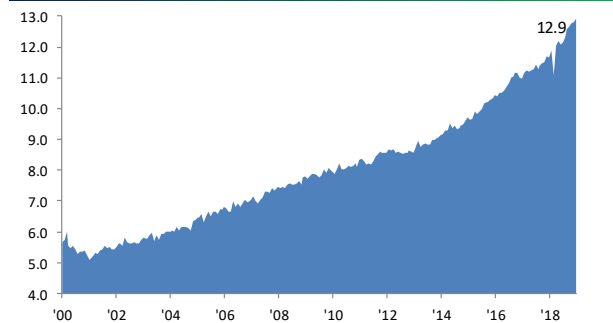
**Miscellaneous (% of Total Retail Sales)**



**Motor Vehicles and Parts (% of Total Retail Sales)**



**Non Store Retailers (% of Total Retail Sales)**



**Sporting Goods (% of Total Retail Sales)**

