

Retail Sales Growth Solid in September

- Overall retail sales climbed 0.4% month-on-month in September, up from an unrevised gain of 0.1% in August.
- The acceleration in growth was led by miscellaneous store retail, clothing stores, health and personal care stores, food and beverage stores, and restaurants and bars.
- Sales were flat at motor vehicles and parts dealers and fell 3.3% at electronics and appliance stores, 1.6% at gasoline stations and 1.4% at furniture and home furnishing stores.
- The year ago growth rate slipped to 1.7%, the weakest since January of this year.
- PNC is expecting real (inflation adjusted) consumer spending growth to weaken into next year but remain modest.

Overall retail sales rose 0.4% month-on-month in September. This was a notable acceleration from the 0.1% gain in August and close to PNC's forecast of 0.5%. The gain was fairly broad based and was led by a strong jump of 4.0% in miscellaneous store retail, followed by clothing stores (+1.5%), health and personal care stores (+1.1%), food and beverage stores (+1.0%) and restaurants and bars (+1.0% and the only services category in the report). There were more modest but positive gains in general merchandise stores (+0.5%), nonstore retailers (+0.4%), sporting goods stores (+0.3%) and building material stores (+0.2%). Receipts at motor vehicle and parts dealers were unchanged after falling 0.4% in August. Sales fell 3.3% at electronics and appliance stores (nearly double the 1.7% decline in August), while sales declined 1.6% at gasoline stations (mostly due to lower prices at the pump) and dropped 1.4% at furniture and home furnishing stores.

Despite the acceleration in growth, the year ago growth rate fell to 1.7% from 2.2% in August. That is the weakest annual gain since January 2024, but the weakness is partially due to the solid advance of 4.3% in September 2023. Retail sales excluding autos were up 0.5% month-on-month and are 2.2% higher than a year ago, down from 2.5% in August. Core sales, which exclude vehicle sales and gasoline stations, were up a strong 0.7%, more than double the 0.3% gain in August. The marked acceleration pushed the year ago growth rate up to 3.7% from 3.5% in August.

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Despite the mixed results across categories, this is a solid report. PNC is forecasting real (inflation adjusted) consumer spending growth to weaken for the balance of this year and into 2025 amid slower job and wage growth. Growth, however, will remain modest, supported by still-healthy job gains, historically low unemployment, low household debt burdens and increasing household wealth.

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