



TD Economics

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Data Release: Retail sales kick off fourth quarter with a bang

- U.S. retail sales rose 0.8% in October, beating expectations for a 0.6% gain.
- Rising gasoline prices contributed to the gain, with sales at gasoline stations up 2.2%. Excluding gas, retail sales were up 0.7%
- The control group, which excludes autos, gas and building materials and is used to calculate monthly personal consumption expenditures (PCE), also rose 0.8%.
- Revisions added to the positive news, with September revised up to a 1.0% gain (from 0.6%)

Key Implications

- Strong spending growth in October in combination with the upward revision to September bodes well for fourth quarter PCE. With wages rising and the labor market continuing to add jobs at a good pace, we expect consumer expenditures to advance by a robust 2.7% (annualized) in the fourth quarter.
- While other sectors may drag on growth, particularly net-exports as the temporary jump in soybean exports in the third quarter normalizes, the strength in consumer spending should be enough to push economic growth above the 2.0% mark.
- For the Federal Reserve this is yet another sign that it can afford to move policy rates higher when they meet in December.

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