



Retail Sales Surge in October, Though Uncertainty Hangs Over Trump Era

September and October were the strongest back-to-back months for retail in two years. But it's hard to say where the U.S. goes from here.

By Andrew Soergel | Economy Reporter Nov. 15, 2016

U.S. retail sales soared in October and were heavily revised in September, as the economy enjoyed its best back-to-back consumer performance in more than two years.

Broadly exceeding analysts' expectations, sales last month were up 0.8 percent from September and 4.3 percent from October 2015, according to a report published Tuesday by the Census Bureau.

Solidifying gas prices were a major contributor to the gains, as sales at gas stations climbed 2.2 percent over the month and were up 0.8 percent over the year.

Likely bolstered by cleanup efforts from Hurricane Matthew, building material and garden equipment and supplies dealers saw sales climb 1.1 percent over the month and 6.5 percent over the year.

Sporting goods and hobby, book and music stores enjoyed gains of 1.3 percent, and miscellaneous store retailers – a category that includes florists, office supply outfits and gift shops – saw sales balloon 2.4 percent from September and 9.5 percent from October 2015.

Nonstore retailers, notably, also saw gains of 1.5 percent last month and were up 12.9 percent on the year. This subset includes online shopping outlets and has grown with relative consistency over the last few years.

Retail performance in the month of September, meanwhile, nearly doubled after revisions came into play, raising performance from an initially reported 0.6 percent monthly increase to a 1 percent gain.

The adjustment bodes well for gross domestic product revisions from the third quarter. Personal consumption initially was believed to have ticked up 2.1 percent in July, August and September, but that estimate was based on unrevised consumption data. While heavy adjustments to the month of September likely won't trigger any colossal change to the third quarter's 2.9 percent pace of growth, revisions like the ones in Tuesday's retail report do have the potential to push that total north of 3 percent.

And October's ability to keep up with September's breakneck retail sales growth bodes well for the final quarter of the year. Analysts generally expect the year to close on a strong note, but there is some concern among experts that consumers spooked by President-elect Donald Trump's unexpected victory could hold off on making big-ticket purchases to see what happens to the economy under new national leadership.

"Though Trump has been on the campaign trail for some two years, he still remains a staggeringly enigmatic person," **Bernard Baumohl, chief global economist at The Economic Outlook Group**, wrote in a research note last week. "So our first conclusion is we will likely see a major retrenchment on spending by households and business. There are just too many profound questions that immediately bubble up with a Trump presidency."

Others, however, are more optimistic, especially since international investors appear to have interpreted Trump's victory and a GOP-controlled Congress as a good sign for a private sector that some argue is overburdened with regulation and restrictions. The GOP's commitment to dismantling key tenets of the Dodd-Frank Act is expected to bring about a period of softer regulation and increased corporate profits, though proponents of Dodd-Frank argue this will come at the expense of a more vulnerable base of consumers.

Yet some experts still argue that a more flexible private sector and lower personal and corporate tax rates – both of which appear to be priorities for Trump and his fellow Republicans – could be good things for consumer spending over the long run.

"Domestically, consumer and business confidence will take a short-term hit, but Mr. Trump's plans for tax cuts and infrastructure spending could give the U.S. economy a boost in late 2017 and beyond," Simon Baptist, chief economist at The Economist Intelligence Unit, wrote in a research note last week.

All told, Trump's election isn't expected to boost or burden economic growth until he officially moves into the White House. The fourth quarter's performance likely won't be substantially impacted by his presidential victory, though the policies he chooses to adopt could play a significant role in how next year goes for the domestic economy.

"The public is split on the economic impact a Trump presidency will have; however, most consumers share the view that not much will change over the remainder of this year," a group of researchers at Conlumino wrote in a recent paper analyzing the effects of a Trump presidency on the retail sector. "It seems that the election will have very little impact on holiday spending plans; as such, our holiday forecasts remain unchanged."

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