

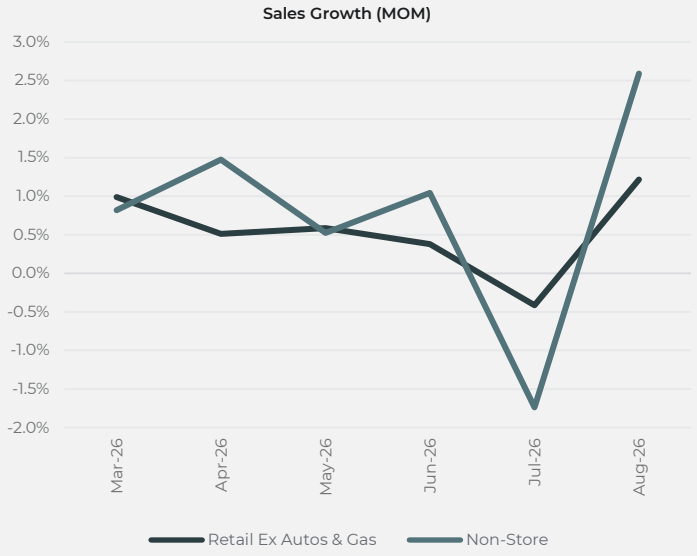
KBC INSIGHTS | RETAIL SALES

Retail Rebound

After multiple months of moderating sales growth, retail sales growth rebounded

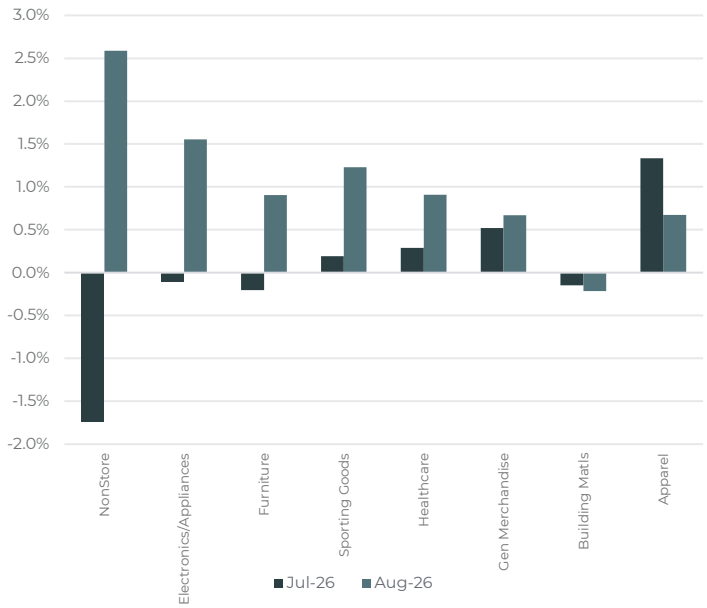
NORMALIZATION OR A TURNING POINT?

- Much like the recent employment report, August retail sales rebounded from months of moderating month-over-month (MOM) sales growth.
- Retail sales, excluding gas and auto sales, reversed four months of slowing to eventually negative sales growth in July.
- Similarly, non-store retailers' sales growth reversed after months of slowing to eventually negative sales growth in July.
- The significant reversal in retail sales growth illustrates the inherent volatility of monthly retail sales data.
- The key question is whether the rebound is a turning point in retail sales, or a normalization amidst volatile monthly sales data.
- The answer will depend on consumer spending capacity including future employment growth, wage gains, and equity valuations along with consumer willingness to spend.



BROAD REBOUND

- Six out of the eight retail categories examined saw a rebound in monthly retail sales growth.
- Non-store retailer sales, an important driver of logistics space demand, saw the strongest rebound in monthly retail sales growth going from a decline of 1.7% in July to an increase of 2.6% in august, a 430-basis point (bp) swing.
- Furniture retailers' sales growth also supports logistics space demand and saw a meaningful rebound.
- Discretionary retailer categories such as electronics and appliance stores as well as sporting goods stores saw substantial rebounds in sales growth.
- While building materials retailer sales are among the most volatile, three months of contraction combined with rising mortgage rates is worth noting.



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