October Retail Beats Expectations Through Autos

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WASHINGTON (AP) — Retail sales rose more than expected in October, but the gain largely reflected a big rebound in auto sales.

Sales fell at many other retail stores as consumer spending remains under pressure, raising questions about the durability of the recovery.

The Commerce Department said Monday that retail sales rose 1.4 percent last month. Economists expected a gain of 0.8 percent.

But excluding auto sales, retail demand rose 0.2 percent, half of the expected 0.4 percent rise. The government also revised the September performance down to show a 2.3 percent decline, from the 1.5 percent drop initially reported.

The big swing in overall activity reflects the recent roller-coaster ride for auto sales. New car sales surged in August as shoppers rushed to take advantage of the government's Cash for Clunkers sales incentives before they expired at the end of the month. Sales plunged in September.

For October, auto sales jumped 7.4 percent, recouping about half of the 14.3 percent drop in September. Automakers already reported that their sales rebounded last month to an annual rate of 10.5 million units, from 9.2 million in September.

The 0.2 percent increase in retail sales excluding autos was down from a 0.4 percent rise in September and was the weakest showing since a 0.5 percent drop in July.

Sales also fell 0.8 percent at furniture stores and 0.6 percent at electronics and appliance stores. Sales were flat at gasoline service stations and posted a modest 0.2 percent rise at grocery stores.

Department store sales also grew 0.3 percent although the broader category that includes such big retail chains as Wal-Mart and Target posted a 0.8 percent rise. Analysts believe that in the current hard times many shoppers are relying more heavily on discount stores.

Consumer spending, which accounts for 70 percent of total economic activity, is being closely watched to see whether households will continue helping the economy to emerge from the worst recession since the 1930s.

The overall economy, as measured by the gross domestic product, grew at an annual rate of 3.5 percent in the July-September quarter, due largely to a rebound in consumer spending. It grew at a solid rate of 3.4 percent in the quarter, after having declined in three of the previous four quarters.

The concern is that spending will sag in the current quarter and going forward as effects of the government's stimulus programs begin to wane and families continue to struggle with unemployment at a 26-year high of 10.2 percent and other problems.

Many economists believe there is the threat of a double-dip recession in which growth rebounds for a few quarters and then slips back.

The Reuters/Michigan survey of consumer sentiment declined sharply in early November to a reading of 66 after rising above 70 in September and October. Attitudes about the short-term economic outlook collapsed to the lowest level since April and consumers' assessments about the state of their personal finances also deteriorated sharply.

For October, the nation's big retail chains reported some of their best results since April 2008. Sales open at least a year rose 2.1 percent in October compared with activity in October 2008, according to the International Council of Shopping Centers-Goldman Sachs. That result beat economists expectations for a 1 percent rise.

Affluent shoppers, who had been tight with their purse strings since the financial meltdown struck a year ago, spent more for designer clothes, helping deliver solid gains for Saks Inc. and Nordstrom Inc.

Other bright spots were Costco Wholesale Corp., TJX Cos., which operates T.J. Maxx and Marshalls, and Gap Inc.

Many stores were helped by cooler weather which increased sales of fall clothing. Sales also got a boost from early holiday discounts offered by some retail chains.