

# Retail Sales Hit Seven-Month High In October

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WASHINGTON (AP) — U.S. retail sales, helped by strong demand for autos, increased in October by the largest amount in seven months.

The Commerce Department reported Monday that retail sales rose 1.2 percent last month. That was nearly double the gain that had been expected and the largest increase since March. Much of the strength came from a big rise in auto sales. Excluding autos, retail sales rose a more modest 0.4 percent.

October represented the fourth straight increase in retail sales after sales had fallen in May and June. Those declines had raised worries about the economic recovery.

While fears of a double-dip recession have eased, economists do not believe consumers will be able to spend at a fast enough pace to lift growth above the lackluster rates seen over the past six months.

The overall economy, as measured by the gross domestic product, grew at tepid rates of 2 percent in the July-September quarter and 1.7 percent in the spring. Those rates are less than half the pace normally registered after a recession.

The problem is that consumers are still struggling with a host of problems including painfully high unemployment, which remains stuck at 9.6 percent even though the recession ended more than a year ago.

"October's retail sales are a fairly encouraging sign that consumption growth may be starting to gain some traction," said Paul Dales, U.S. economist at Capital Economics.

But he cautioned that the headwinds facing households will likely keep spending from rising enough to lift economic growth to a faster pace in the current quarter. Consumer spending is closely watched because it accounts for 70 percent of U.S. economic activity.

For October, sales at auto dealerships increased 5 percent. That gain had been expected given reports from automakers that total October sales rose to an annual rate of 12.3 million units, the best monthly showing since the government's "Cash for Clunkers" program had sent sales surging in August 2009.

Excluding autos, sales advanced at a more moderate 0.4 percent in October following a 0.5 percent rise in sales excluding autos in September.

Outside of autos, sales at general merchandise stores, a category that includes department stores as well as big retail chains such as Wal-Mart Stores Inc., rose 0.2 percent in September after a slight 0.1 percent rise in September. Sales at specialty

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clothing stores did better, rising 0.7 percent after having fallen 0.4 percent in September.

America's big retailers had reported lackluster sales in October, with analysts blaming some of the weakness on an unusually warm October which lured shoppers to other activities and away from the malls.

The International Council of Shopping Centers said its index of sales turned in its poorest showing in October since last April.

Sales at hardware stores were up a solid 1.9 percent in October while sales at gasoline stations rose 0.8 percent, an increase that partly reflected higher prices at the pump.

Sales at furniture stores and electronics stores both posted 0.7 percent drops.

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