

NRF[®] MONTHLY ECONOMIC REVIEW

Economic Data & Trends for the Retail Industry

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Jack Kleinhenz, Ph.D., CBE
Chief Economist
National Retail Federation

**The data for this report is released on a rolling schedule. The presented numbers are current as of publication and are subject to revision.*

SYNOPSIS

Hurricanes strike the economy but bounceback is expected

Hurricanes Harvey and Irma delivered devastating blows to Texas and Florida at the end of this summer. Initial estimates put the combined property damage as high as \$140 billion, about equal to Hurricane Katrina in 2005. Gauging the impact on the economy, however, is more complex than adding up insurance payments and uninsured losses. Instead, it depends on the speed of repairs made to the Texas Gulf region and Florida. It is important to note that the catastrophic property damage is not measured by gross domestic product. Instead, it is a capital loss that shows up on personal and corporate balance sheets.

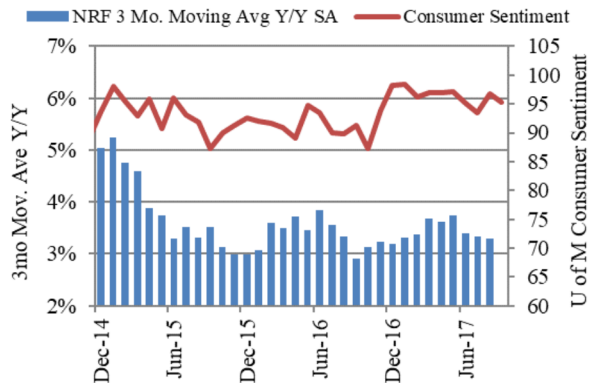
While the hurricanes are not expected to alter the overall U.S. economic outlook, individual economic indicators such as income and spending could be impacted and volatile as a result. It is difficult to quantify the storms' effects on these variables, making an assessment of the true state of personal spending for the last four months of 2017 difficult. While the hurricanes affected wages and salaries, spending surged on food, water, batteries and building materials as residents of the areas made preparations in the days leading up to the storms. Of the two storms, Harvey will have the greatest impact on consumer prices as the impact on Texas oilfields caused gasoline prices to rise. Crop damage in Florida, however, could also cause a boost to inflation via food prices.

It is too early to know the hurricanes' long-term impact on retail. The first vestiges were somewhat apparent in August retail sales, which dropped slightly from July. Cleanup and replacement spending will impact discretionary spending in the affected areas and will affect small and large retailers alike but will vary by retail segment. The question is for those that sell non-essentials. Affected consumers may be focused on large expenditures such as home repairs or replacing damaged items such as clothing, electronics and home furnishings rather than spending on new non-necessities.

The effects of the hurricanes could cause a short-term setback in third-quarter economic growth but the storms will not knock the economy off track since it is riding on solid fundamentals for consumer spending, the housing market and business investments. Insurance payments and government aid are already on their way to the affected areas. In fact, as rebuilding picks up, there should be a rebound in economic activity in late 2017 and early 2018 as hurricane victims head out to buy replacement cars, furniture, clothing and other necessities.

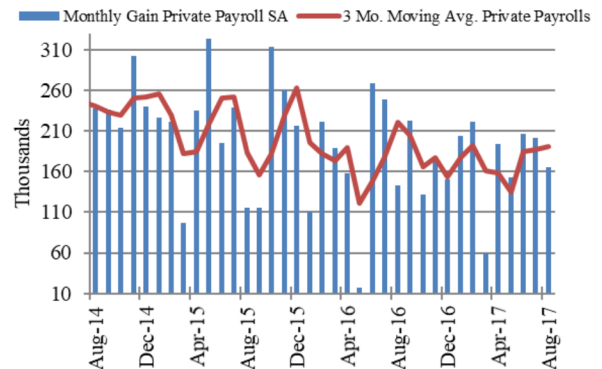
CONSUMER SENTIMENT

Retail sales decelerated in August, showing the start of the hurricanes' impact. September's preliminary consumer sentiment index shows households were less positive about the economy.



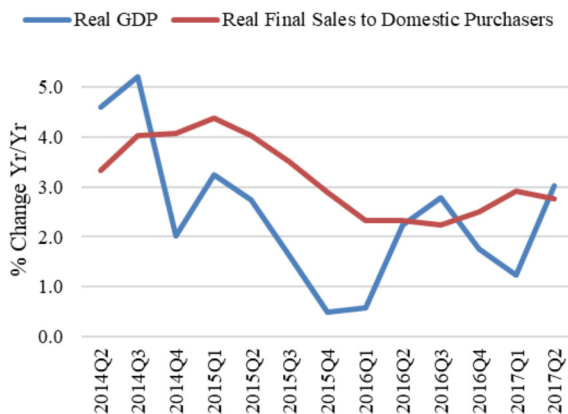
PAYROLL

August private payroll gains appear to be in line with an ongoing moderate GDP expansion considering the seasonal quirk for the August employment data.



REAL FINAL SALES

Real final sales to domestic purchasers (excludes net exports and inventories) has grown at a healthy pace of 2.8 percent and shows the domestic economy is performing quite well.



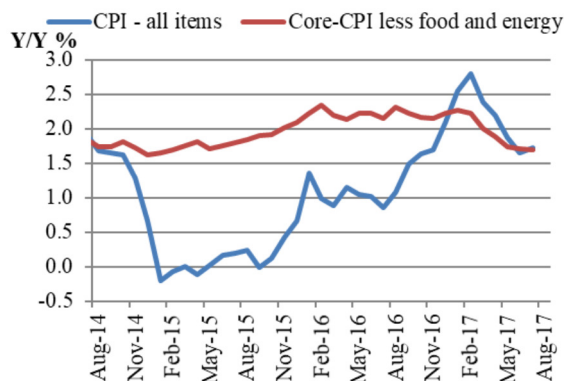
EMPLOYMENT

Job openings nationally reached their highest level on record at 6.17 million in July. Retailers registered the second-highest level of openings for any July.



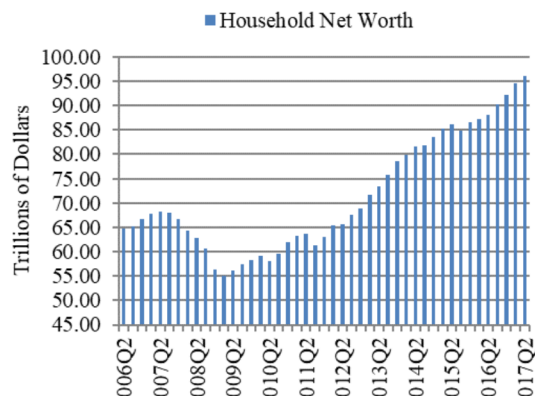
CONSUMER PRICES

While consumer prices rose 0.4 percent in August, the trend remains weak relative to the start of the year. Some components like gasoline prices will likely increase due to Harvey.



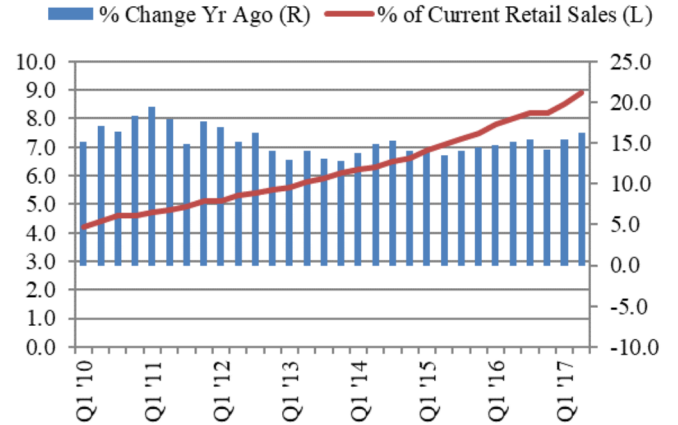
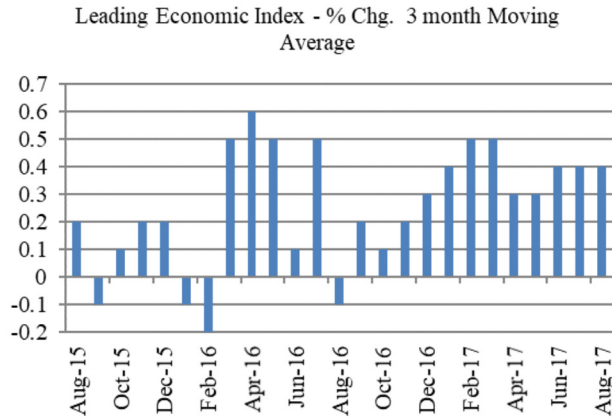
HOUSEHOLD WEALTH

Household wealth reached a record \$96.2 trillion in the second quarter and was up 9.3 percent on a year-ago basis. The steady gains are feeding confidence and spending.



The Conference Board's Leading Economic Index signals that the economy is doing well and should remain solid in the coming months.

Online retail sales reached \$111.5 billion in the second quarter. That was up 16.2 percent from a year earlier and amounted to 8.9 percent of total retail sales.



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