

# ECONOMIC NOTES

By Patrick O'Keefe

Director of Economic Research, J.H. Cohn LLP

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## UNEVEN RETAIL REBOUND

Retail sales rose modestly in July, partially reversing declines in the two previous months. Compared to the cyclic low in March 2009, nominal sales are up 8.5%, but still below the pre-recession peak.

Retail's incomplete recovery reflects an uneven performance among the sector's components. More than three-quarters of the post-bottom gains occurred in just three categories: autos, gasoline, and e-tail (AGE). "E-tailing" consists of the Census data on electronic shopping and mail-order houses; data for July is estimated.

Over the course of the recession, these components each behaved differently when compared to the performance of the retail sector as a whole.

Auto sales fell sharply during the industry's brush with bankruptcy, spiked on incentives, and have since stabilized. After plummeting in 2008, gasoline prices have been rising steadily—up one-third since March 2009. The secular expansion of e-tail resumed after a brief interruption.

Retail sales bottomed at \$298 billion in March 2009. At that time, about one-third of the total was attributable to the AGE categories (autos: 18.4%; gasoline: 9.4%; e-tail: 6.2%).

In July, sales were \$25.4 billion higher, with more than three-quarters of the gain—more than twice their relative share of total sales—contributed by the AGE components (autos: 32.7%; gasoline: 29.1%; e-tail: 15.3%).

It is improbable that the AGE group can continue to post out-sized gains. To some extent, increased sales of gas stations and e-tailers come at the expense of spending elsewhere. Indeed, net of autos, retail sales have been flat for three months.

With a weak job market restraining incomes and cautious households saving more of their after-tax incomes, the retail sector is likely to continue the recent pattern of sluggish improvement for the remainder of the year.

*Patrick J. O'Keefe is director of economic research at J.H. Cohn LLP. He can be reached at [pokeefe@jhcohn.com](mailto:pokeefe@jhcohn.com) or 877-704-3500.*

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## California

### Los Angeles

11755 Wilshire Boulevard  
17th Floor  
Los Angeles, CA 90025  
310-477-3722

### San Diego

4180 Ruffin Road  
Suite 235  
San Diego, CA 92123  
858-535-2000

### Warner Center

21700 Oxnard Street  
7th Floor  
Woodland Hills, CA 91367  
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## Cayman Islands

P.O. Box 1748 GT  
27 Hospital Road  
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## Connecticut

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180 Glastonbury Blvd.  
Glastonbury, CT 06033  
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997 Lenox Drive  
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609-896-1221

### Metro Park

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## New York

### Manhattan

1212 Avenue of the Americas  
Suite 1200  
New York, NY 10036  
212-297-0400

Charles Brucia & Co.,  
A Division of J.H. Cohn LLP  
1212 Avenue of the Americas  
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1212 Avenue of the Americas  
New York, NY 10036  
212-727-2300

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100 Jericho Quadrangle  
Suite 223  
Jericho, NY 11753  
516-482-4200

### White Plains

1311 Mamaroneck Avenue  
White Plains, NY 10605  
914-684-2700



877-704-3500  
[www.jhcohn.com](http://www.jhcohn.com)

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