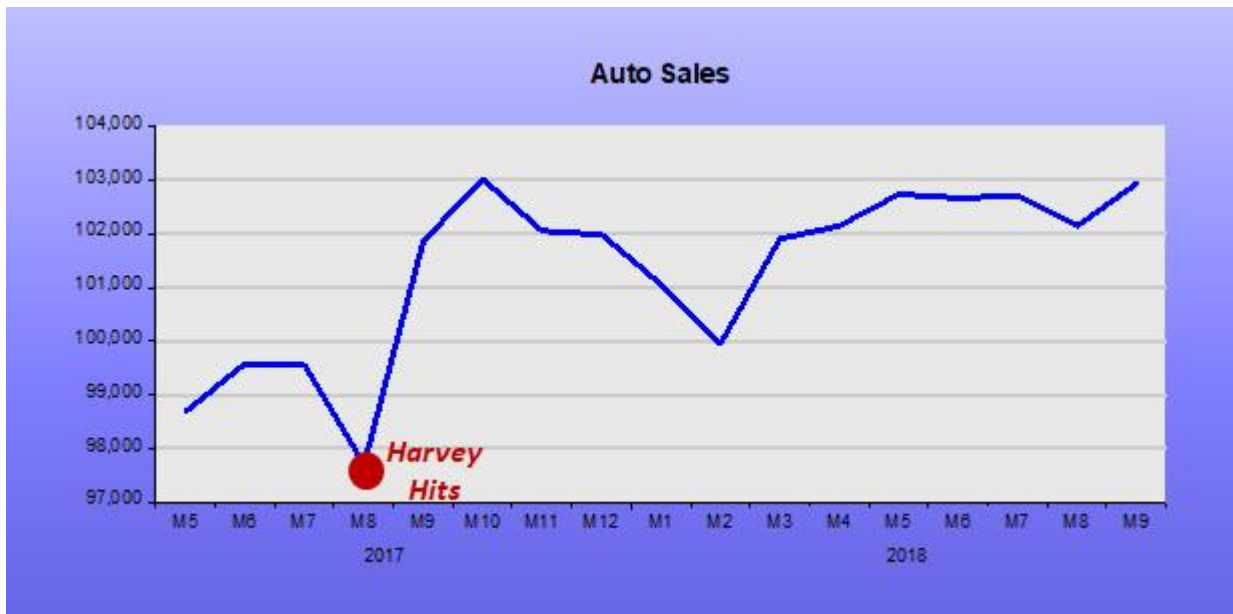


The “Bastiat Boom”

Retail sales frustrated expectations. It’s not that consumer spending is weakening but is now being properly measured again.

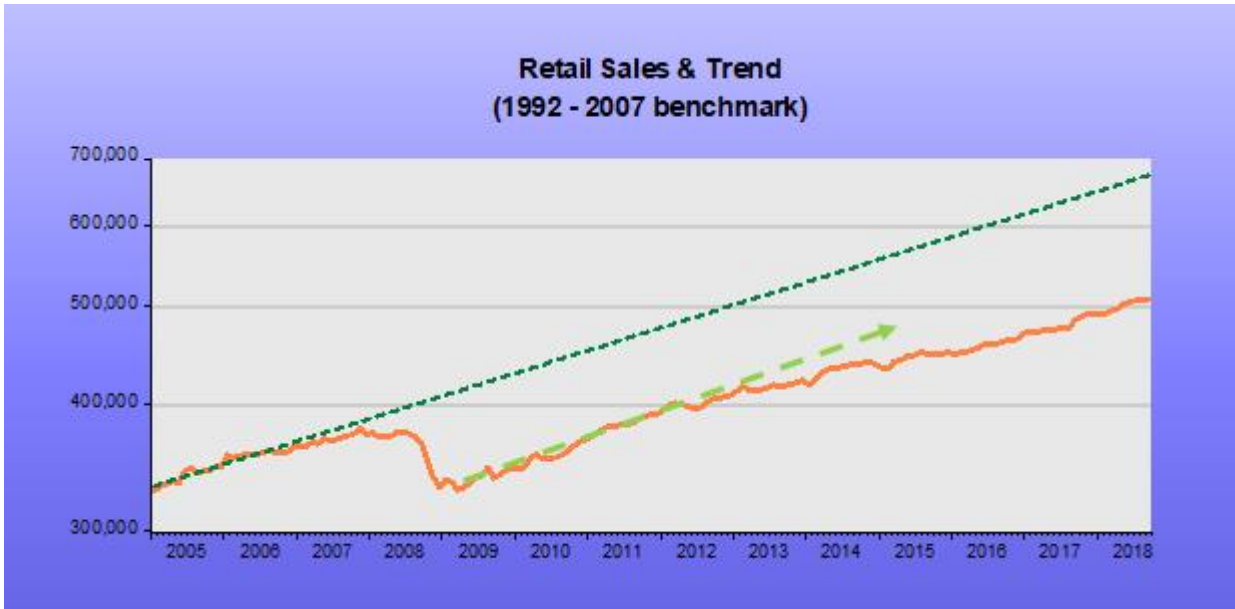
After Harvey hit in August 2017, there were a lot of “broken windows” that had to be replaced. Auto is a case in point.



Between May and August of this year, retail sales growth averaged 6.5% year-on-year. In September growth dropped to 3.1% (not seasonally adjusted). Some say it reflected Florence’s disruptions. That’s unlikely. In August 2017, retail sales increased 4.1% despite Harvey’s much greater destruction!

The “windows replacement effect” has petered out, so now changes are reverting to type, a truer reflection of the sad state of the economy.

You only have to look at the much lower spending level that has prevailed for the past 10 years.



The Fed, however, thinks the economy is “strong”.
