



Retail Sales are Falling; Food Prices Continue to Soar

Economic Commentary – October 16, 2008



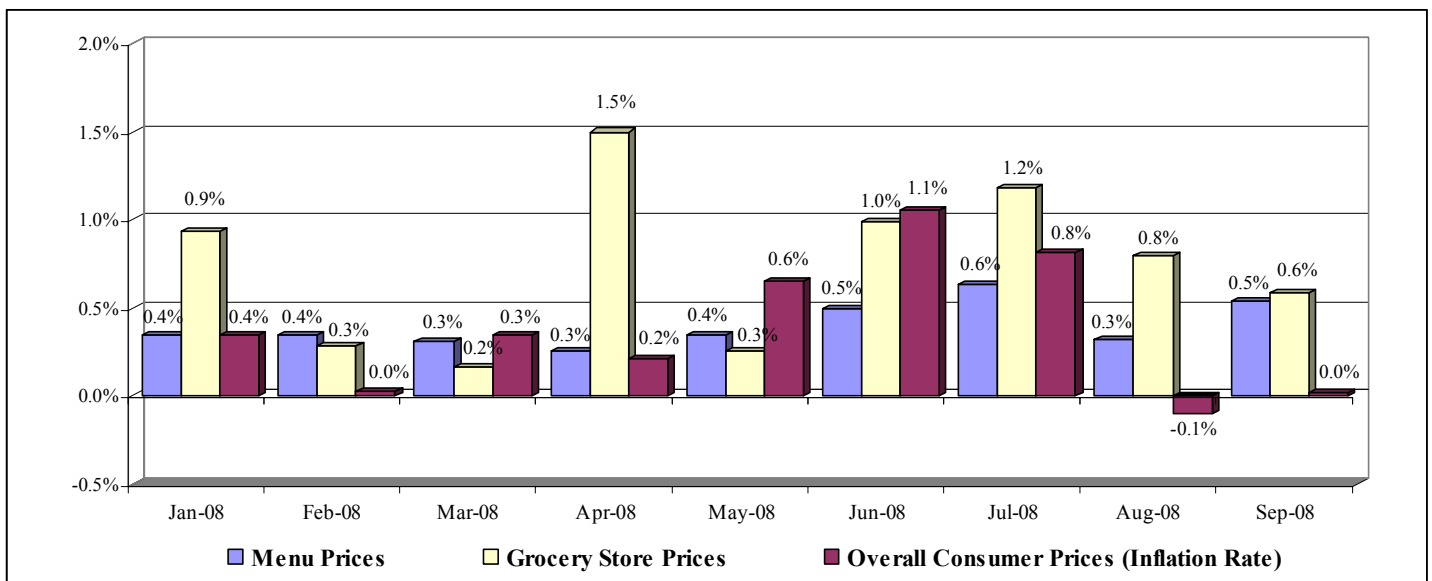
Consumers Continue to Pull Back on Spending

- As job losses mounted in September, consumers responded by further retrenchment of retail spending. Total retail sales plunged 1.2 percent in September on a seasonally-adjusted basis, their third consecutive monthly decline and the largest drop in more than three years. Monthly retail sales are currently running below their corresponding levels in 2007, which does not bode well for the upcoming holiday season.
- Restaurant sales are faring somewhat better than the overall retail sector, but still saw declines from recent record highs. Eating and drinking place sales totaled a seasonally-adjusted \$38.3 billion in September, down 0.5 percent from their August level and the lowest seasonally-adjusted monthly sales volume since April.

Consumers Get a Break at the Pump, but Not in the Grocery Aisles

- Gas prices fell 33 cents over the last week, according to the latest figures from the Energy Information Administration. The nationwide average retail price for a gallon of regular gasoline stood at \$3.15 on October 13, nearly \$1 below the record high of \$4.11 registered in July and the lowest reading since February.
- While consumers enjoyed a reprieve from elevated gas prices, food prices continue to soar. Grocery store prices jumped 0.6 percent in September on a seasonally-adjusted basis, which was actually their smallest increase in four months (up 1.0% in June, 1.2% in July, and 0.8% in August). Meanwhile, menu prices increased 0.5 percent in September, up from a 0.3 percent gain in August.
- On a 12-month basis, grocery store prices are soaring at their strongest rate since 1990. In the 12 months ending September 2008, grocery prices increased at a strong 7.6 percent rate, more than three percentage-points above the 4.5 percent gain in menu prices during the same 12-month period. This three percentage-point differential between grocery store prices and menu prices is the largest such spread since 1990.

Monthly Change in Menu Prices, Grocery Store Prices, and Overall Consumer Prices



Source: National Restaurant Association analysis of Bureau of Labor Statistics data; figures are seasonally-adjusted

For additional analysis, log on to Restaurant TrendMapper at www.restaurant.org/trendmapper