SUMMARY & OVERVIEW

This note takes a look at U.S. retail sales as reported by publicly traded retailers for 3Q25. Now that we finally have retail sales for October from the Census Bureau, we can compare results from publicly traded retailers to the government data. Note that we needed October's data because many, if not most, publicly traded retailers have their fiscal quarters and years ending one month after the normal calendar cycle. This "calendar quarter end plus 1" approach helps keep things apples-to-apples versus what we get from publicly traded retailers.

Here are some other things to keep in mind about our methodology in this note:

- Our primary metric for evaluating retail sales is "same-store sales" ("SSS"). We use SSS as the barometer to try and account for the fact that many publicly traded retailers are growing square footage (code for "opening stores") at a faster pace than privately held retailers are. Using SSS allows us to control for that and get a cleaner idea of what's happening with sales across the retail sector more broadly, regardless of who's opening stores or how fast they're opening them
- Our dataset includes the SSS of 54 different retail companies across a variety of different sectors. Most of our dataset does not have significant international operations, so we can use their consolidated SSS as a result. Where this isn't true (say for example, with COST or WMT), we use the company's U.S. SSS metric to isolate their U.S. division.
- Similar to our GNI model, we don't always get the U.S. SSS metric (or whatever the closest relevant SSS metric is) in the press releases, and thus we need to wait for either the 10-K or 10-Q to be filed.
- Because we included Amazon in our latest broader consumer note, we do not discuss their trends here
- Our SSS data is year-over-year, not seasonally adjusted, and it also does not incorporate automobile sales, auto part sales, or gasoline (the exceptions here are ORLY, AAP, and AZO, which are autoparts retailers and which *are* in our dataset). Consequently, the portion of the Census Bureau's Retail Sales data that we compare to is also the line item that excludes autos, auto parts, and gasoline. We look at the Census Bureau's data on an unadjusted, year-over-year basis consequently then as well.

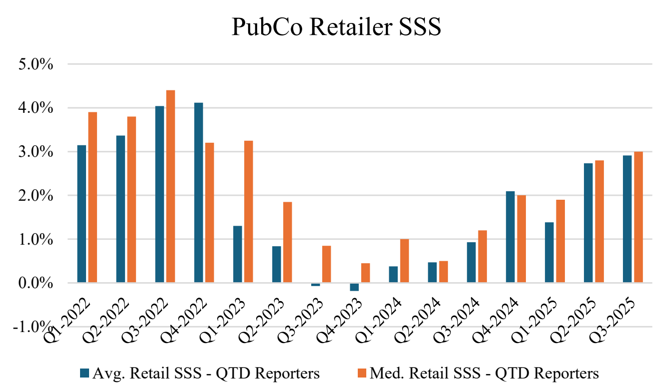
In our 2Q note, we concluded that the second quarter was one of the best growth quarters retailers have had in the post-COVID era. **The key conclusion from the 3rd quarter was that things were just as good, and maybe even better, in 3Q.** A second straight quarter of strong retail sales like this after tariffs have been fully implemented makes it increasingly difficult to believe the "pull-forward" thesis that many economists and investors feared earlier in the year (which for the record wasn't at all unreasonable). As we discussed in our latest note on the consumer, two things seem clear:

1) Despite awful sentiment and negative headlines everywhere, consumer spending generally remains solid
2) Despite the tariffs and the higher prices that they've produced as a result, consumers are ironically shifting *more* of their spending towards goods (and away from things like travel). This is helping retailers.

3Q25 RETAIL SALES ANALYSIS

As the chart below shows, both median and average SSS growth for publicly traded retailers was close to 3% in the third quarter, which was the best since

4Q22 (which was also a period benefitting from easy compares in 4Q21, making this quarter look even stronger compared to that one). 3Q's results were slightly better than 2Q's results as well (2Q was closer to 2.7-2.8% and also the best since 4Q22). Note that the chart below also shows the broad upward trend of U.S. retail sales growth since the bottom in 2023. This is interesting considering inflation has generally receded since then (in theory higher inflation might have resulted in higher retail sales, but other factors seem to have overridden this). In 2Q23, retail sales growth fell below 1% on a nominal basis, indicating *real* retail sales growth was likely negative during this period. **This is another item that supports our house view that we had a recession in 2023.**

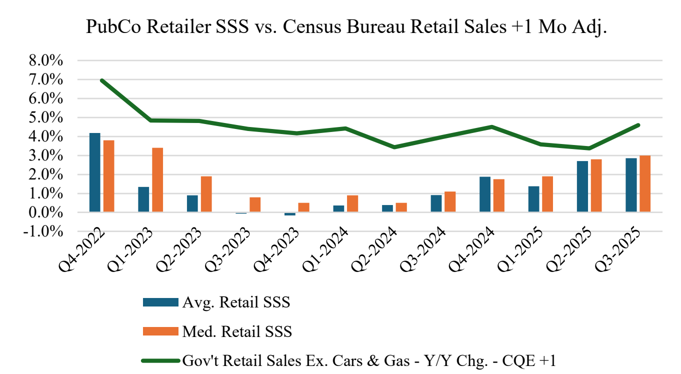


Source: SEC Filings, *The Curb Economist*

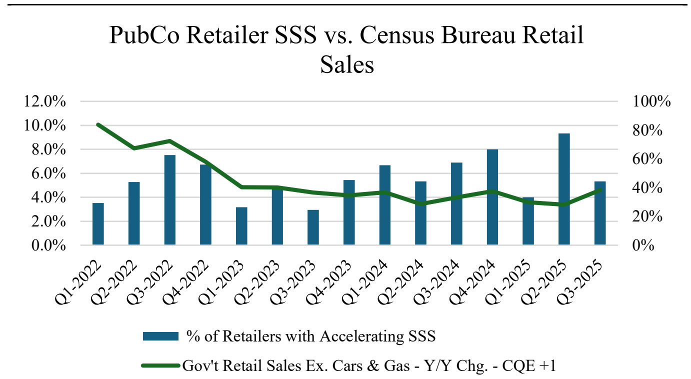
The next chart shows the percentage of public company retailers whose U.S. SSS growth accelerated relative to the previous quarter. While the percentage of companies with accelerating or decelerating SSS growth doesn't give us any absolute indications of growth, it does give us a good sense of directional strength. The data from our "Retail Sales Growth Diffusion Index" also confirms the broad strength across the U.S. retail industry in 3Q, especially considering it almost hit the historical average again after the best quarter our Diffusion Index has had in the post-COVID era in 2Q25. This effectively made for very tough "compares" in 3Q compared to 2Q.

Source: SEC Filings, *The Curb Economist*

Now let's compare this data to the data from the government. While this quarter's iteration of this analysis probably should be taken with a grain of salt (given the government shutdown), 3Q data from the Census Bureau does show an acceleration compared to 2Q. The below two charts show the Census Bureau data compared to SSS growth, as well as versus our PubCo Retail Diffusion Index.



Source: SEC Filings, Census Bureau, *The Curb Economist*



Source: SEC Filings, Census Bureau, *The Curb Economist*

CONCLUSION

3Q25 U.S. SSS sales from our publicly traded retailer group came in quite strong, with year-on-year growth around 3%. This would (again) be the strongest quarter in the Post-COVID era. Given tariffs have now been fully implemented, fears around the strong retail spending being a pull-forward of demand seem harder to justify. It seems more likely, on the contrary, that the strength is due to a still solid consumer.

Additionally, despite the government data being somewhat hard to underwrite this quarter (given the government shutdown), it too shows an acceleration in 3Q vs. 2Q for retail sales. **The key difference, however, is that data from publicly traded companies indicates the retail sector has had the best two quarters in the post-COVID era in 2Q and 3Q, whereas the government data is merely indicating the last two quarters were essentially "on-trend" with where retail has been since late 2022.**

The strength for two quarters in a row now suggests retailers are more than hanging tough in a difficult operating environment, and consumers seem to be helping them get by. **The consumer seems to be in a foul mood, but it's not exactly showing up in their behavior, and this is particularly true when it comes to retailers.** Despite retailers being the most affected by tariffs, and having to raise their prices the most as a result, consumers seem to be (ironically) favoring goods *more* in the post-tariff world. With a weakening but arguably stable job market, time will tell whether this can be sustained. More indicators are likely to come shortly, so look for our "Off-Cycle Reporters" note for more insights what's happening in 4Q so far soon.

In the meantime, Merry Christmas, Happy Holidays, and all the rest!