Retail sales in the U.S. dropped more than forecast in September, reflecting a broad-based pullback that signaled consumers took a breather.

The 0.3 percent decrease followed a 0.6 percent August gain that was the biggest in four months, Commerce Department figures showed today in Washington. The median forecast of 81 economists surveyed by Bloomberg called for a 0.1 percent decline.

The pickup in hiring has failed to spur bigger gains in wages, which means households have yet to see the kind of jump in purchasing power that will drive sustained increases in demand. The recent drop in gasoline costs will give consumers extra cash to spend on other goods and services in coming months, helping underpin the biggest part of the economy.

“The pickup in consumption that we’re all waiting for hasn’t quite taken off yet,” said Omair Sharif, a U.S. economist at RBS Securities Inc. in Stamford, Connecticut, the top retail-sales forecaster over the past two years, according to data compiled by Bloomberg. “The fact that real wages and salaries haven’t picked up that dramatically, it puts a ceiling on how much spending can accelerate.”

Another report today showed manufacturing in the Federal Reserve Bank of New York’s region slowed more than projected in October. The bank’s so-called Empire State index dropped to 6.2 this month from an almost five-year high of 27.5 in September. Readings greater than zero signal growth.

**Stock Futures**

Stock-index futures dropped after the reports, extending earlier losses. The contract on the Standard & Poor’s 500 Index maturing in December declined 1.2 percent to 1,852.4 at 8:50 a.m. in New York.

Estimates in the Bloomberg survey ranged from a drop of 0.5 percent to a 0.3 percent gain. August and July retail sales were unrevised.

The figures used to calculate GDP, which exclude categories such as food services, auto dealers, home-improvement stores and service stations decreased 0.2 percent, the first drop since January, after rising 0.4 percent in August.

Eight of 13 major categories showed decreases last month, four were up and one was little changed. Those seeing a decline in demand included auto dealers, service stations, furniture stores and building material merchants. Purchases at clothing stores dropped 1.2 percent, the most since October 2012.
Auto Sales

Sales fell 0.8 percent at automobile dealers, the most since January, after a 1.9 percent increase the prior month.

Industry data show Americans’ spending on cars and light trucks cooled last month after reaching an eight-year high in August. Sales dropped to a 16.3 million annualized rate in September, the lowest since April, from a 17.5 million pace a month earlier that was the highest since January 2006, according to data from Ward’s Automotive Group.

“Looking ahead, favorable indicators include continued robust manufacturing activity and growth in investment spending, gradually improving employment conditions with modest income growth, and stabilization and potential modest gains in housing with recent improvements in builder confidence,” Emily Kolinski Morris, chief economist at Ford Motor Co. said on an Oct. 1 conference call. “These incoming indicators, coupled with the support of policy backdrop, should continue to provide positive momentum for the economy here in the second half.”

Ford Hiring

Ford has been on a hiring spree to help meet customer demand ahead of next year’s labor contract negotiations, adding 850 workers at its Dearborn, Michigan, manufacturing site to help make the new aluminum-bodied F-150 pickup. The new jobs bring Ford’s hourly hiring total to more than 14,000 since 2011, exceeding a pledge it made three years ago to the United Auto Workers union that it would recruit 12,000 by 2015.

Other employers have also stepped up hiring, which may boost spending in the months to come as total income rises for Americans. Payrolls climbed by 248,000 last month while the jobless rate declined to a six-year low of 5.9 percent.

The increase in hiring isn’t spurring a pickup in pay. Hourly earnings rose 2 percent in September on average from the same month in 2013, barely enough to pick up with inflation, figures from the Labor Department showed earlier this month.

Consumer sentiment surveys have shown mixed results of late, illustrative of the fitful progress the economy has made over the year. The Conference Board’s confidence index fell to the lowest level since May last month, while the Bloomberg Consumer Comfort Index increased from a four-month low in the week ended Oct. 5. The Thomson Reuters/University of Michigan final sentiment gauge for September climbed to a 14-month high.

Gasoline Prices

While cheaper gasoline may be helping lift some Americans’ spirits, lower gas prices hurt receipts at filling stations as the Commerce Department’s retail sales data aren’t adjusted for prices. Purchases dropped 0.8 percent after decreasing 1.1 percent in August, today’s report showed.

A gallon of regular gasoline fell to $3.19 on Oct. 13, the lowest level since November 2013, according to...
AAA, the biggest U.S. motoring group.

One bright spot last month was electronics and appliance stores, which posted a 3.4 percent jump in sales, the biggest since April 2013. The category may have been boosted as Apple Inc. (AAPL) sold a record of more than 10 million iPhone 6 and 6 Plus models in their debut weekend following a Sept. 19 unveiling.

Sales surpassed last year’s 9 million units when the iPhone 5s and 5c were introduced, the Cupertino, California-based company said in a statement. Pre-orders of the latest models topped 4 million units in the first 24 hours.

**Producer Prices**

Another report today showed wholesale prices unexpectedly fell in September for the first time in a year, propelled by a drop in fuel costs that continues into this month, according to Labor Department figures. The 0.1 percent decrease in the producer price index was the first decline since August 2013 and compares with the 0.1 percent gain median forecast of economists surveyed by Bloomberg. The so-called core measure, which strips out volatile food and fuel, was unchanged.

The economy will expand at a 3 percent annualized rate this quarter and in the final three months of the year, according to the median of economists surveyed by Bloomberg.

Household spending will grow at a 2.8 percent annualized rate in the last three months of the year after expanding at a 2.1 percent pace in the third quarter, economists project.

To contact the reporter on this story: Victoria Stilwell in Washington at vstilwell1@bloomberg.net

To contact the editor responsible for this story: Carlos Torres at cttorres2@bloomberg.net

©2014 BLOOMBERG L.P. ALL RIGHTS RESERVED.