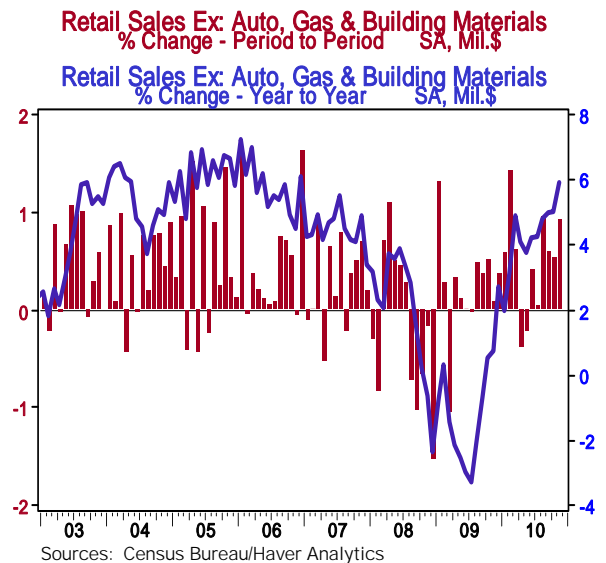
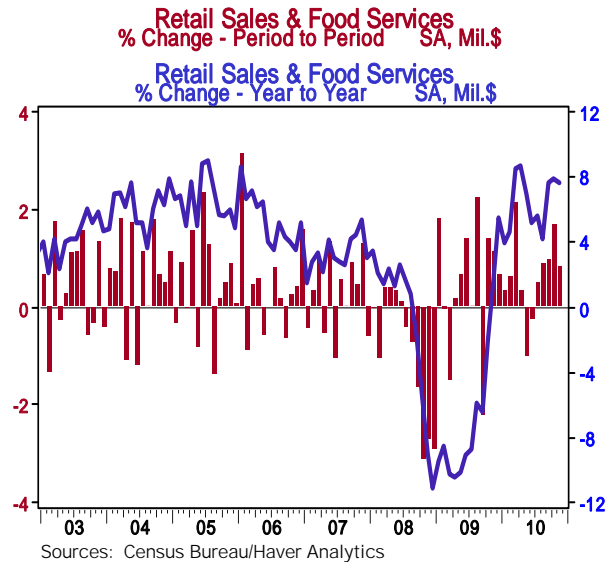


NOVEMBER RETAIL SALES

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- Retail sales increased 0.8% in November and rose 1.2% excluding autos, both beating consensus expected gains of 0.6%.
- Retail sales were revised up for September and October. Including these revisions, overall sales were up 1.5% and sales ex-autos were up 1.9%. Retail sales are up 7.7% versus a year ago; sales ex-autos are up 6.7%.
- The increase in retail sales for November was led by gas, general merchandise stores (department stores), and non-store retailers (internet and mail-order). The weakest category of sales was autos.
- Sales excluding autos, building materials, and gas increased 0.9% in November, but rose 1.4% including upward revisions for September/October. These sales are up 5.9% versus last year. This calculation is important for estimating GDP.

Implications: It's beginning to feel a lot like Christmas. The US economy is clearly getting stronger, with the annualized growth rate of "real" (inflation-adjusted) consumer spending in the 4% to 4.5% range in the fourth quarter, the fastest pace since 2006. It's important to recognize that stronger growth is coming *before* the impact of more quantitative easing from the Federal Reserve and before the tax deal is in place. Including upward revisions to prior months, retail sales increased 1.5% in November, adding to the large gain reported last month. Sales are now at their highest level since November 2007 and should hit an all-time high in December. In the past five months, sales are up at a 12% annual rate, much higher than the prediction of a 3.3% gain in holiday sales from pessimistic forecasters like the National Retail Federation. As we often repeat, there are three main reasons for better consumer spending. First, earnings are up. Private sector wages and salaries are up 4% in the past year while small business profits are up 6%. Second, consumers are still paying down debt but doing so more slowly than last year. And third, due to low interest rates and all the debt that's already been paid down, consumers' financial obligations (debt service plus recurring payments like rent, car leases, and property taxes) are now the smallest share of income since the mid-1990s. Based on these factors, we expect continued solid growth in consumer spending.



Retail Sales <i>All Data Seasonally Adjusted</i>	Nov-10	Oct-10	Sep-10	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.8%	1.7%	0.9%	14.6%	9.3%	7.7%
Ex Autos	1.2%	0.8%	0.8%	12.0%	8.5%	6.7%
Ex Autos and Building Materials	1.3%	0.6%	0.7%	11.1%	8.3%	6.3%
Ex Autos, Building Materials and Gasoline	0.9%	0.5%	0.6%	8.4%	7.1%	5.9%
Autos	-0.8%	5.6%	1.6%	28.2%	13.3%	12.5%
Building Materials	-0.1%	3.3%	1.8%	21.3%	11.5%	12.3%
Gasoline	4.0%	1.3%	1.7%	31.2%	16.9%	9.0%

Source: Bureau of Census