

December Retail Sales

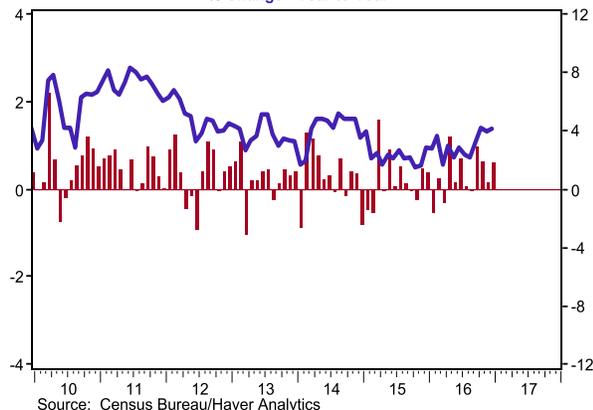
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- Retail sales rose 0.6% in December (+0.8% including revisions to prior months), almost exactly the consensus expected 0.7%. Retail sales are up 4.1% versus a year ago.
- Sales excluding autos rose 0.2% in December, lagging the consensus expected 0.5%. These sales are up 3.4% in the past year. Excluding autos, gas, and building materials, sales were unchanged in December but up 3.2% from a year ago.
- The increase in sales in December was led by autos, gas, and non-store retailers (internet and mail-order). The largest declines were for restaurants & bars and general merchandise stores.
- Sales excluding autos, building materials, and gas were unchanged in December and up at a 3.5% annual rate in Q4 versus the Q3 average.

Implications: The US consumer is doing fine, with the first estimate of December retail sales coming in very close to consensus expectations. Nothing very surprising in today's report. Auto sales were strong, which we already knew from automakers unit sales reports last week; gas station sales were strong, which we knew based on higher gas prices; and non-store sales were up briskly, which we saw with all those package deliveries throughout December. General merchandise stores lost ground, which is consistent with recent headlines, like the Limited shutting its stores. A decade ago, general merchandise stores made 51% of sales through non-store activities; now non-store retail equals a record 89% of sales at those same merchandisers. Expect that trend to continue in the years ahead. The one potential surprise is that restaurants & bars had a weak December, with sales down 0.8%. We wouldn't be surprised to see that figure revised upward in the months ahead. Overall sales are up 4.1% in the past year and we expect that trend to accelerate. Sales are up at a 5.2% annual rate in the past six months and a 6.0% rate in the past three months. Although "core" sales, which exclude autos, building materials, and gas, were unchanged in December, it's not unusual for even these sales to take a breather month a few times per year. Consumers are in relatively good shape. Job growth continues, wages gains are accelerating, and consumer debt service obligations are very low by historical standards. In other recent news, new claims for jobless benefits increased 10,000 last week to a still-modest 247,000. Continuing claims dropped 29,000 to 2.09 million. In other news this morning, inventories surged 0.7% in November, the largest gain for any month since 2015. Plugging all these data into our GDP models suggests real GDP grew around a 2% annual rate in the fourth quarter, consistent with the Plow Horse growth we've seen since the recovery started in mid-2009. Watch for better policies and faster growth in 2017.

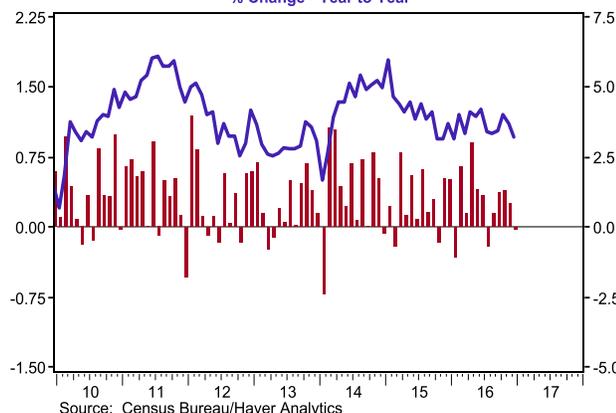
Retail Sales & Food Services
% Change - Month to Month

Retail Sales & Food Services
% Change - Year to Year



Retail Sales Ex: Autos, Gas & Building Materials
% Change - Month to Month

Retail Sales Ex: Autos, Gas & Building Materials
% Change - Year to Year



Retail Sales <i>All Data Seasonally Adjusted</i>	Dec-16	Nov-16	Oct-16	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.6%	0.2%	0.7%	6.0%	5.2%	4.1%
<i>Ex Autos</i>	0.2%	0.3%	0.6%	4.3%	2.8%	3.4%
<i>Ex Autos and Building Materials</i>	0.2%	0.2%	0.6%	4.2%	2.7%	3.5%
<i>Ex Autos, Building Materials and Gasoline</i>	0.0%	0.3%	0.4%	2.6%	2.0%	3.2%
Autos	2.4%	-0.2%	0.8%	12.8%	14.7%	6.8%
Building Materials	0.5%	0.6%	0.4%	6.7%	4.7%	2.6%
Gasoline	2.0%	0.0%	2.7%	19.9%	9.5%	6.3%

Source: Bureau of Census