

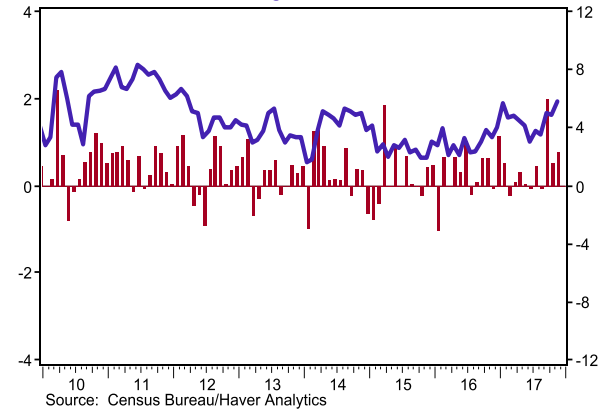
# November Retail Sales

Brian S. Wesbury – Chief Economist  
 Robert Stein, CFA – Dep. Chief Economist  
 Strider Elass – Economist

- Retail sales increased 0.8% in November (+1.3% including revisions to prior months), easily beating the consensus expected 0.3% gain. Retail sales are up 5.8% versus a year ago.
- Sales excluding autos rose 1.0% in November (+1.5% including revisions to prior months), easily beating the consensus expected 0.6% gain. These sales are up 5.7% in the past year. Excluding gas, sales were up 0.6% in November and are up 5.3% from a year ago.
- The rise in sales in November was led by non-store retailers (internet and mail-order) and gas stations.
- Sales excluding autos, building materials, and gas rose 0.8% in November (1.0% including revisions to prior months). If unchanged in December, these sales will be up at a 5.7% annual rate in Q4 versus the Q3 average.

Retail Sales & Food Services  
 % Change - Month to Month

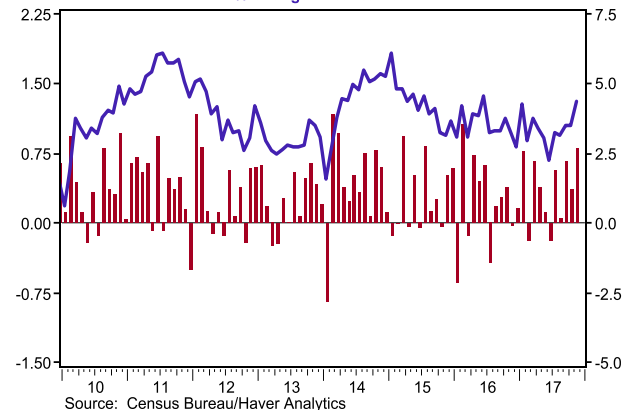
Retail Sales & Food Services  
 % Change - Year to Year



Source: Census Bureau/Haver Analytics

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

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



Source: Census Bureau/Haver Analytics

**Implications:** Retail sales exploded to the upside in November and were revised up for prior months, a sign the economy continues to pick up steam. Retail sales rose 0.8% in November, coming on the backs of a 0.5% gain in October and a 2.0% gain in September. The growth in September and October was led by autos, which were unusually strong as people replaced vehicles destroyed in the hurricanes. But auto sales were the only category that fell in November. Instead, the gains in November were broad-based with 12 of the 13 major categories showing gains. Non-store retailers led the charge higher followed by gas station sales, as prices at the pump rose considerably. Non-store retail sales grew by 2.5% in November, the largest gain this year and now make up around 11% of retail sales. Just think about Amazon. Do you own an Amazon Prime membership? Chances are you do and use it frequently. As of the third quarter of 2017, it's estimated there are 90 million Amazon Prime members in the United States. More great news today was the considerable strength for “core” sales, which excludes autos, building materials, and gas. Core sales grew 0.8% in November, and are up 4.3% from a year ago. Although some retail outlets are getting beat up by on-line retailing, the sector looks good from the consumer’s point of view. Jobs and wages are moving up, consumers’ financial obligations are an unusually small part of their incomes, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. In employment news this morning, new claims for jobless benefits fell 11,000 last week to 225,000. Meanwhile, continuing claims declined 27,000 to 1.90 million. Look for another solid month of job growth in December. On the inflation front, import prices rose 0.7% in November while export prices rose 0.5%. In the past year, import and export prices are both up 3.1%. This marks a big shift in the past twelve months. In the year ending in November 2016, import prices were up only 0.2% while export prices were down 0.2%. In other news this morning, business inventories slipped 0.1% in October, as expected. As a result of all of today’s data, we now expect the government’s estimate of Q3 real GDP growth to be revised up to a 3.4% annual rate from a previously reported 3.3%. Meanwhile, our early tracking model for Q4 suggests a real GDP growth rate of 3.1%.

Retail Sales <i>All Data Seasonally Adjusted</i>	Nov-17	Oct-17	Sep-17	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Retail Sales and Food Services</b>	<b>0.8%</b>	0.5%	2.0%	14.3%	7.7%	5.8%
<b>Ex Autos</b>	<b>1.0%</b>	0.4%	1.3%	11.5%	7.3%	5.7%
<b>Ex Autos and Building Materials</b>	<b>1.0%</b>	0.4%	1.2%	11.0%	6.5%	5.2%
<b>Ex Autos, Building Materials and Gasoline</b>	<b>0.8%</b>	0.4%	0.7%	7.7%	4.7%	4.3%
<b>Autos</b>	<b>-0.2%</b>	1.2%	4.8%	25.7%	9.3%	6.3%
<b>Building Materials</b>	<b>1.2%</b>	-0.1%	3.1%	17.8%	14.6%	10.7%
<b>Gasoline</b>	<b>2.8%</b>	0.3%	6.0%	42.7%	22.9%	12.2%

Source: Bureau of Census