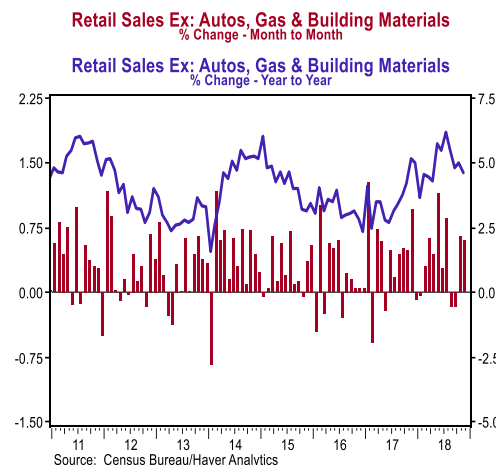
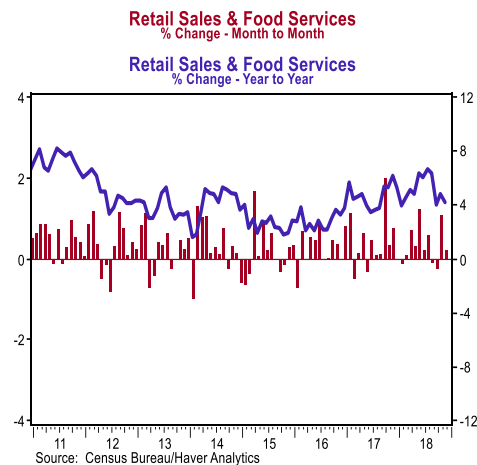


November Retail Sales

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- Retail sales rose 0.2% in November (+0.5% including revisions to prior months), beating the consensus expected gain of 0.1%. Retail sales are up 4.2% versus a year ago.
- Sales excluding autos rose 0.2% in November (+0.3% including revisions to prior months) versus a consensus expected 0.2% gain. These sales are up 4.9% in the past year. Excluding gas, sales were up 0.5% in November and are up 3.9% from a year ago.
- The gain in sales in November was led by non-store retailers (internet & mail order). The largest decline was for gas stations.
- Sales excluding autos, building materials, and gas rose 0.6% in November and were up 0.9% including revisions to prior months. If unchanged in December these sales will be up at a 3.7% annual rate in Q4 versus the Q3 average.

Implications: Today’s retail data should cement another 25 basis point rate hike by the Fed next week. Overall retail sales rose 0.2% in November, but the details of the report were very strong, and prior months were revised higher. November’s 0.2% gain narrowly beat consensus, but, including revisions to prior months, sales were up 0.5%. And the gains were broad-based, with nine of thirteen major categories showed rising sales, led by non-store retailers (think internet and mail-order sales). Non-store retailers now make up 11.7% of all retail sales, an all-time record high, and are up 10.8% over the past year. Sales at gas stations were the biggest laggard, down 2.3% in November, a function of lower gasoline prices for the month. Take out sales at gas stations, and retail sales were up 0.5% for the month even without including upward revisions to prior months. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were up 0.6% in November, were revised higher for prior months, and are up 4.6% from a year ago, while overall retail sales are up 4.2% over the same period. Plugging today’s report into our models suggests “real” (inflation-adjusted) consumer spending, on goods and services combined, will be up at around a 3.5% annual rate in Q4 while real GDP grows at around a 2.0% rate. Given the tailwinds from deregulation and tax cuts, we expect an average real GDP growth rate of close to 3% in both 2018 and 2019, a pace we haven’t seen since 2004-05. Jobs and wages are moving up, tax cuts have taken effect, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. Some may point to household debt at a record high as reason to doubt that consumption growth can continue. But household assets are near a record high, as well. Relative to assets, household debt levels are near the lowest in more than 30 years. In other words, there’s plenty of room for consumer spending – and retail sales – to continue to trend higher in the year ahead. In other news yesterday, initial jobless claims declined 27,000 last week to 206,000. Meanwhile, continuing claims rose 25,000 to 1.66 million. These figures are consistent with continued robust job gains in December. In other recent news, import prices declined 1.6% in November, while export prices fell 0.9%. The large drop in import prices was led by a 11% decline in fuel costs, the largest decline since January 2016. Export prices declined 0.9% in November as lower prices for nonagricultural exports more than offset a rise in prices for farm exports. Still, import prices are up 0.7% in the past year, while export prices are up 1.8%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Nov-18	Oct-18	Sep-18	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.2%	1.1%	-0.2%	4.5%	3.8%	4.2%
Ex Autos	0.2%	1.0%	-0.3%	3.9%	4.3%	4.9%
Ex Autos and Building Materials	0.3%	0.9%	-0.3%	3.8%	4.3%	5.0%
Ex Autos, Building Materials and Gasoline	0.6%	0.7%	-0.2%	4.5%	4.3%	4.6%
Autos	0.2%	1.5%	0.0%	7.1%	1.9%	1.4%
Building Materials	-0.3%	1.5%	0.2%	5.7%	5.1%	3.5%
Gasoline	-2.3%	3.2%	-1.3%	-1.8%	4.4%	8.2%

Source: Bureau of Census