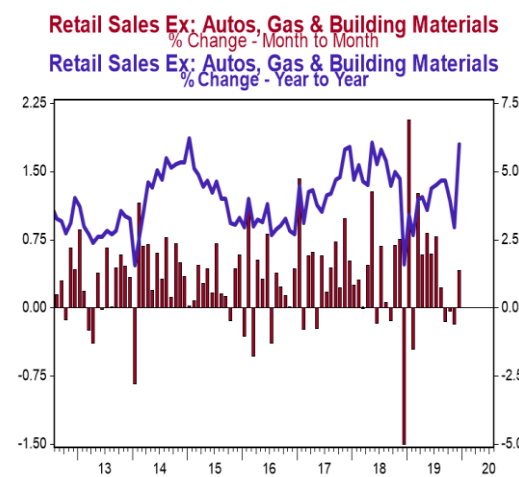
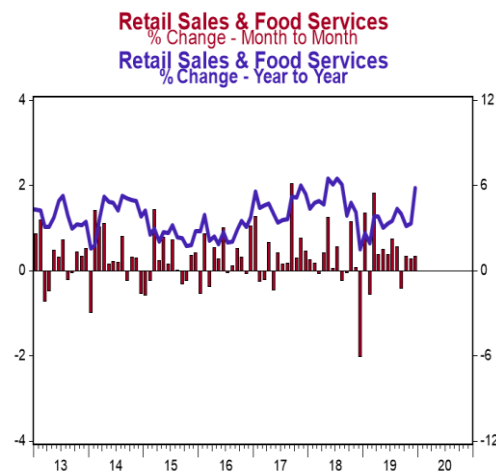


December Retail Sales

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- Retail sales rose 0.3% in December, matching consensus expectations. Retail sales are up 5.8% versus a year ago.
- Sales excluding autos increased 0.7% in December, (+0.4% including revisions to prior months). The consensus expected a 0.5% gain. These sales are up 6.3% in the past year. Excluding gas, sales rose 0.1% in December and are up 5.3% from a year ago.
- The rise in sales in December was led by gas stations and building materials. The largest decline was for autos.
- Sales excluding autos, building materials, and gas increased 0.4% in December (-0.1% including revisions to prior months). These sales were down at a 0.2% annual rate in Q4 versus the Q3 average.

Implications: A trifecta of solid news out on the economy today. First, a solid report out of the retail sector, where sales rose 0.3% in December, matching consensus expectations, and are up 5.8% from a year ago. In December, sales gains were broad-based, rising in twelve of the thirteen major retail categories led by gas stations and building materials. The only decline was for autos, which dropped 1.3%. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) grew 0.4% in December and are up 6.0% from a year ago. However, core sales were revised down in October and November. Plugging today’s report into our models suggests real GDP grew at around a 2.5% annual rate in Q4, although we may adjust this estimate when we get tomorrow’s report on industrial production as well as late month data on inventories and international trade in December. Jobs and wages are moving up, companies and consumers continue to benefit from tax cuts, consumer balance sheets look healthy, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. For these reasons, expect continued solid gains in retail sales in the year ahead. Second, in other news this morning, initial jobless claims fell 10,000 last week to 204,000, rock-bottom levels, while continuing claims declined 37,000 to 1.767 million. Third, on the manufacturing front, the Philly Fed Index, a measure of East Coast factory sentiment, jumped to +17.0 in January from +2.4 in December. This is the highest level since May of 2019. In other news this morning, import prices rose 0.3% in December, driven by an increase in fuel prices. Export prices fell 0.2% due to both lower agricultural and nonagricultural prices. In the past year, import prices are up 0.5% while export prices are down 0.7%. Given loose monetary policy, expect higher inflation in 2020.



Source: Census Bureau/Haver Analytics

Retail Sales <i>All Data Seasonally Adjusted</i>	Dec-19	Nov-19	Oct-19	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.3%	0.3%	0.3%	3.8%	3.7%	5.8%
Ex Autos	0.7%	0.0%	0.2%	3.4%	3.4%	6.3%
Ex Autos and Building Materials	0.0%	-0.1%	0.2%	3.2%	3.2%	6.6%
Ex Autos, Building Materials and Gasoline	0.4%	-0.2%	0.0%	0.7%	2.1%	6.0%
Autos	-1.3%	1.5%	1.1%	5.4%	4.7%	4.1%
Building Materials	1.4%	0.1%	0.0%	6.3%	6.1%	2.0%
Gasoline	2.8%	1.0%	2.0%	25.6%	13.0%	11.3%

Source: Bureau of Census