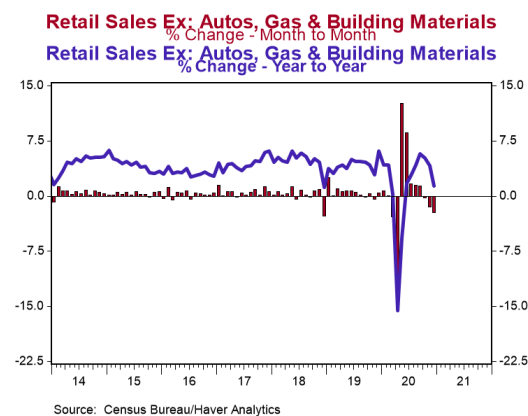
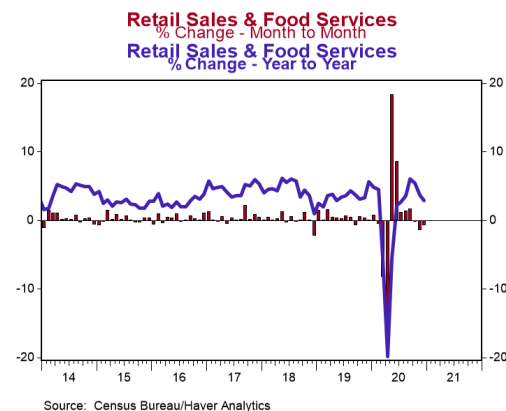


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December Retail Sales

- Retail sales declined 0.7% in December (-1.0% including revisions to prior months), lagging the consensus expected no change. Retail sales are up 2.9% versus a year ago.
- Sales excluding autos fell 1.4% in December (-1.8% including revisions to prior months) versus the consensus expected decline of 0.2%. These sales are up 1.1% in the past year. Excluding gas, sales dropped 1.2% in December, but are up 4.2% from a year ago.
- The decline in sales in December was led by non-store retailers (internet & mail-order) and restaurants & bars. The largest gains were for gas stations and autos.
- Sales excluding autos, building materials, and gas fell 2.3% in December. These sales were down at a 2.6% annual rate in Q4 versus the Q3 average.

Implications: As we have been seeing in the high frequency data, COVID-related shutdowns continue to impact the economy, with consumers getting more cautious in December. Retail sales declined 0.7% for the month, lagging consensus expectations of no change. Only six of the thirteen major categories rose in December, with non-store retailers (internet and mail-order sales) leading the decline. It seems many were waiting for another stimulus package to arrive in late December, which finally did arrive late in the month and should start showing up in the January data. The current environment will not be a repeat of 2020. We do not expect a double-dip. First, lots of new stimulus money will be flowing into Americans’ wallets in the coming months. Second, both companies and consumers have adapted, and even with further restrictions, things will not be even remotely close to as bad as they were in the early part of the year. Lastly, as the vaccines continue to roll out lockdowns and restrictions will again start to ease. More than 31 million vaccine doses have been distributed nationwide with 12.2 million administered. As the vaccine rollout continues to materialize, expect confidence to continue to come back. Although fourth quarter retail sales data were soft, it’s important to keep in mind how much progress has been made since early last year in the depths of the recession. Back in April, retail sales were down 19.9% from a year ago; now, even with declines in October, November, and December, retail sales are up 2.9% from December 2019. For some more perspective: from February (before the COVID shutdowns started) to the bottom in April, retail sales fell 21.7%. Now, even with the decline in December, we are 2.6% higher than the February pre-COVID high-water mark, meaning retail sales have had a full V-shaped recovery. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, declined 2.3% in November, but are still up 1.3% from a year ago. In other news yesterday, initial jobless claims rose 181,000 last week to 965,000. Meanwhile, continuing claims for regular benefits increased 199,000 to 5.271 million. The recent jump in claims is likely related to the boost in jobless benefits enacted in Washington, DC. If you increase benefits, more people will apply.



Retail Sales <i>All Data Seasonally Adjusted</i>	Dec-20	Nov-20	Oct-20	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.7%	-1.4%	-0.1%	-8.3%	4.2%	2.9%
Ex Autos	-1.4%	-1.3%	-0.2%	-10.8%	3.1%	1.1%
Ex Autos and Building Materials	0.0%	-1.5%	-0.2%	-12.3%	2.6%	-0.2%
Ex Autos, Building Materials and Gasoline	-2.3%	-1.5%	-0.2%	-15.1%	0.4%	1.3%
Autos	1.9%	-1.5%	0.1%	1.7%	8.3%	10.1%
Building Materials	0.9%	0.8%	-0.1%	6.6%	5.4%	17.0%
Gasoline	6.6%	-1.6%	0.0%	21.0%	26.8%	-12.1%

Source: Bureau of Census