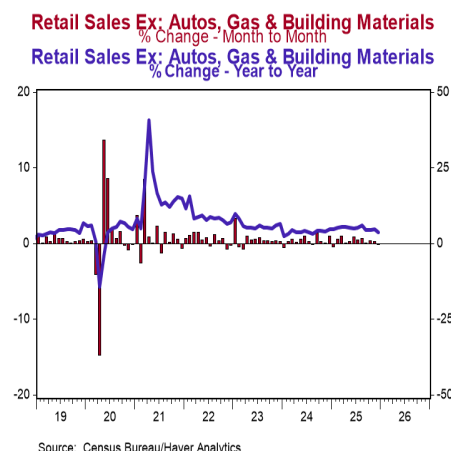
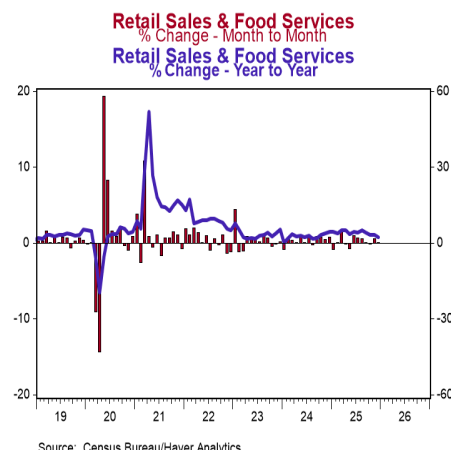


December Retail Sales

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- Retail sales were unchanged in December (-0.1% including revisions to prior months), lagging the consensus expected +0.4%. Retail sales are up 2.4% versus a year ago.
- Sales excluding autos were unchanged in December (-0.2% including revisions to prior months), lagging the consensus expected +0.4%. These sales are up 3.3% in the past year.
- The largest increase in December was building materials. The largest declines were for autos and clothing stores.
- Sales excluding autos, building materials, and gas declined 0.1% in December (-0.4% including revisions to prior months). These sales were up at a 2.6% annual rate in Q4 versus the Q3 average.



Implications: Retail sales were unexpectedly soft in December and the details of the report weren't any better. The headline shows overall retail sales were unchanged in December, but slipped 0.1% including revisions for prior months, lagging behind the consensus expected gain of 0.4%. Sales were up 2.4% in 2025 but have slowed recently, up at a 1.5% annualized rate in the last three months. Eight out of the thirteen major categories declined in December, led by a 0.2% drop for the volatile autos category. The largest increase came from a 1.2% bump for building materials, matching its previous monthly gain. We like to track "core" sales, which strip out the volatile categories for autos, building materials, and gas stations. The core number is crucial for estimating GDP, because when it calculates GDP the government uses other sources for autos, building materials, and gas, not the retail report. That measure declined 0.1% in December and was down 0.4% after factoring in revisions. Factoring in December, these sales were up at 2.6% annual rate in Q4 versus the Q3 average, consistent with solid overall economic growth in the fourth quarter. Within the core grouping, sales at restaurants & bars – the only glimpse we get at services in the report, which make up the bulk of consumer spending – declined 0.1% in December. Despite the decline, these sales were up 4.7% in 2025, more than the increase for overall sales. We will continue to watch this category closely in the months ahead as a bellwether for the consumer's overall well-being. Another category we are closely monitoring is nonstore retailers (think internet and mail-order), which eked out a 0.1% gain in December despite expected strength following a record breaking online holiday shopping season. Keep in mind that seasonal adjustments play in factor in this – unadjusted sales at nonstore retailers rose 17.1% in December. Finally, it's important to remember the impact inflation has on retail sales. Overall sales rose 2.4% in 2025, but "real" inflation-adjusted sales were down 0.2% in the year and still below the peak in early 2022. No growth in almost four years. In other news this morning, import prices rose 0.1% in December while export prices rose 0.3%. In the past year, import prices are unchanged, while export prices have risen 3.1%. In employment news last week, initial claims rose 22,000 from the week prior to 231,000, while continuing claims rose 25,000 to 1.844 million.

Retail Sales <i>All Data Seasonally Adjusted</i>	Dec-25	Nov-25	Oct-25	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.0%	0.6%	-0.2%	1.5%	3.3%	2.4%
Ex Autos	0.0%	0.4%	0.2%	2.4%	3.4%	3.3%
Ex Autos and Building Materials	-0.1%	0.4%	0.2%	2.1%	3.5%	3.4%
Ex Autos, Building Materials and Gasoline	-0.1%	0.3%	0.3%	2.0%	3.0%	3.6%
Autos	-0.2%	1.2%	-1.5%	-2.2%	3.0%	-1.1%
Building Materials	1.2%	1.2%	-0.7%	6.7%	2.0%	0.5%
Gasoline	0.3%	1.7%	-1.4%	2.7%	8.8%	1.6%

Source: U.S. Census Bureau