

ECONOMIC UPDATE



REGIONS

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November Retail Sales: Strength In Spending Will Outlast The Holiday Season

- Retail sales rose by 0.8 percent in November after rising by 0.5 percent in October (originally reported up 0.2 percent)
- Retail sales excluding autos rose by 1.0 percent after rising by 0.4 percent in October (originally reported up 0.1 percent)
- Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.8 percent in November

Total sales rose by 0.8 percent in November, matching our above-consensus forecast (consensus was a 0.3 percent increase), with ex-auto sales up 1.0 percent and control retail sales, a direct input into the GDP data, up by 0.8 percent. In addition to the robust November data, prior estimates of retail sales in both September and October were revised higher. In keeping with our commitment to fair and balanced coverage (okay, that's either our commitment or something we heard on the TV, we don't actually remember which), we routinely dismiss the initial estimate of retail sales in any given month given what are routine and often large revisions. We say so whether our forecast is on the mark or misses by a mile, and we'll say so again now. But, even if the strength of consumer spending is a bit overstated by the initial November estimate, Q4 is on track to be a very solid quarter for consumer spending, and the holiday sales season could easily turn out stronger than our above-consensus forecast anticipated.

We noted in our weekly *Economic Preview* that gasoline sales would bias the November retail sales data higher, and this proved to be the case with gasoline station sales up 2.8 percent. This reflects the impact of higher pump prices this November, which is at odds with normal seasonal patterns, hence the sizeable gain reported in the seasonally adjusted data. This simply goes back to our point that while the headline number may overstate the case, retail sales were still strong in November, as is apparent in the 0.8 percent increase in control sales.

Sales at nonstore retailers, which includes but is not limited to online sales, led the way, with a 2.5 percent increase in November. While we had expected an upward revision to the weak initial estimate for October, this was not the case as the revised data show a 0.4 percent decline. Still, with the large increase in November, the dollar volume of sales in this category is where our forecast anticipated it would be. Also turning in solid gains in November were electronics stores (up 2.1 percent), building materials stores (up 1.2 percent), furniture stores (up

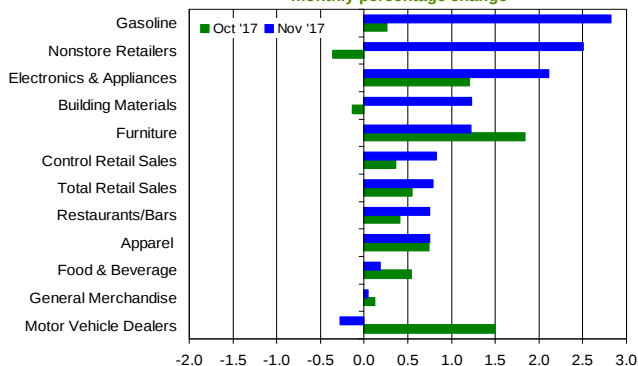
1.2 percent), auto parts stores (up 1.0 percent), and apparel stores (up 0.7 percent). The latter is a bit surprising given the sharp decline in apparel prices reported in the November CPI data, so either a record run on ugly Christmas sweaters pushed unit volume to atmospheric levels or the initial November estimate of the dollar volume of sales will be revised down in next month's release.

Sales revenue at motor vehicle dealers is reported to have declined by 0.3 percent in November. While on the surface this may seem reasonable given that unit sales declined by 3.4 percent, we think this figure will be revised higher in next month's release. Weaker fleet sales (which do not factor in to the retail sales data) were a drag on total unit sales in November but sales to consumers were solid based on comments by manufacturers, on top of which the mix of sales between lower priced autos and higher prices SUVs/light trucks remained heavily weighted in favor of the latter. In any event, as unit sales recede from their post-hurricane spike, motor vehicle sales will likely be a drag on retail sales over coming months.

Given our earlier point on the reliability of the initial estimate of retail sales in any given month, rather than take our word or the word of the Census Bureau, we thought we'd let you see what retailers have to say about the strength of consumer spending this holiday season. We do so in our second chart below, showing the increases in not seasonally adjusted retail trade payrolls for the October through November period, i.e., the retail holiday hiring period. This November, retailers added 451,600 jobs, the largest November increase since 2012. Holiday hiring in retail is on course to be the second strongest, behind only 2013, of the post-recession years. At the same time, holiday hiring in transportation, warehousing, and distribution, i.e., the activities associated with online sales, is on course to set another record. No matter which data you prefer, the bottom line is that U.S. consumers are on solid footing and strength in spending will be sustained beyond the holiday season.



Retail Sales By Category
monthly percentage change



Retail Holiday Hiring Ramps Up In November

