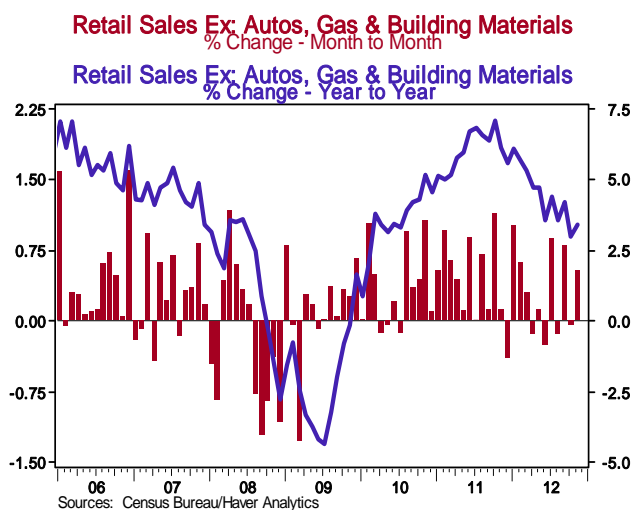
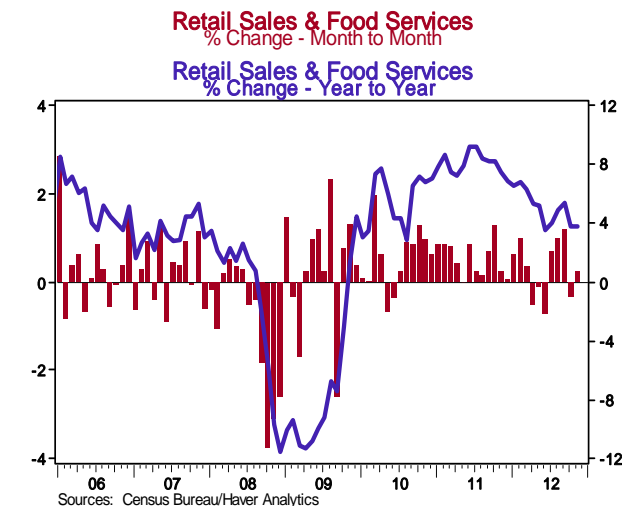


November Retail Sales

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- Retail sales increased 0.3% in November, slightly less than the consensus expected. Sales were up 0.2% including revisions for September/October. Retail sales are up 3.7% versus a year ago.
- Sales excluding autos were unchanged in November, both with and without revisions to September/October, matching consensus expectations. Sales ex-autos are up 3.3% in the past year.
- The gain in sales in November was led by non-store retailers (internet/mail-order) as well as autos. The largest decline, by far, was for gas.
- Sales excluding autos, building materials, and gas were up 0.5% in November (0.6% including revisions to September/October). These sales are important for estimating real GDP and, if unchanged in December, would be up at a 3.3% annual rate in Q4 versus the Q3 average.

Implications: The plow horse economy continues. Hurricane Sandy artificially depressed sales in late October but consumers came back in November. Although overall retail sales were up a modest 0.3% in November, the headline figure was held down by falling gas prices. Excluding gas, retail sales were up 0.8%, the second best month so far this year. When Sandy approached and hit in late October, consumers held off on big-ticket purchases, so autos, furniture, and building materials all fell. As expected, all these categories bounced back in November. Consumer spending on these items may run above trend for the next few months due to some pent-up demand from the storm and its aftermath as well as the need to replace what was destroyed. Jobs, hours, and wages are trending upward and generating more purchasing power for consumers. Meanwhile, households have the lowest financial obligations ratio since the early 1980s. (The share of after-tax income needed to make recurring monthly payments, such as mortgages, rent, car loans/leases, as well as debt service on credit cards, student loans and other lending arrangements.) In other news this morning, new claims for unemployment insurance fell 29,000 last week to 343,000. This is great news, but don't get too excited. The report for the first week of December 2011 showed a drop to 383,000, which, at that time, was the lowest since July 2008. For the past few years, claims have come down faster than normal at the beginning and end of each year, so some of the recent drop is probably reflects a problem seasonally adjusting the data. Initial claims are roughly 10% below a year ago, which was the trend before Sandy. Continuing claims declined 23,000 to 3.20 million. These figures suggest above trend payroll growth in December.



Retail Sales <i>All Data Seasonally Adjusted</i>	Nov-12	Oct-12	Sep-12	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%	1.2%	4.7%	4.4%	3.7%
Ex Autos	0.0%	0.0%	1.1%	4.6%	4.1%	3.3%
Ex Autos and Building Materials	-0.1%	0.1%	1.0%	3.8%	3.6%	3.0%
Ex Autos, Building Materials and Gasoline	0.5%	0.0%	0.8%	5.4%	3.7%	3.4%
Autos	1.4%	-1.9%	1.9%	5.4%	5.8%	5.4%
Building Materials	1.6%	-1.2%	2.7%	12.8%	8.7%	5.4%
Gasoline	-4.0%	1.0%	1.9%	-4.9%	3.1%	0.8%

Source: Bureau of Census