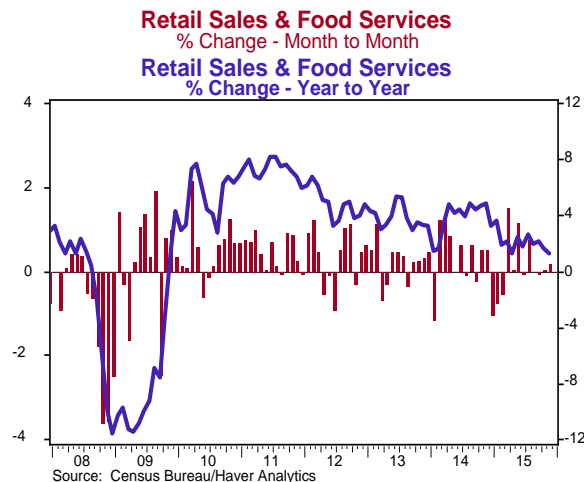


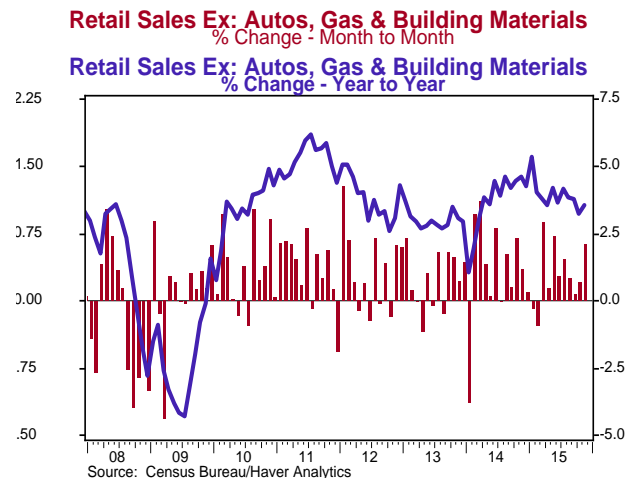
November Retail Sales

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- Retail sales increased 0.2% in November. The consensus expected a gain of 0.3%. Retail sales are up 1.4% versus a year ago.
- Sales excluding autos increased 0.4% in November (+0.3% including revisions to prior months). The consensus expected a gain of 0.3%. These sales are up 0.7% in the past year. Excluding both autos and gas, sales are up 3.4% versus a year ago.
- The gain in sales in November was led by grocery stores, restaurants & bars and general merchandise stores (department stores). The largest declines were for autos and gas stations.
- Sales excluding autos, building materials, and gas increased 0.6% in November. If unchanged in December these sales will be up at a 3.2% annual rate in Q4 versus the Q3 average.



Implications: After today’s solid report out of the retail sector, it’s a near certainty the Fed will raise rates next Wednesday. Although retail sales rose only 0.2% in November, the underlying details of the report were much better. What held down the overall headline number was a 0.4% drop in autos, which are volatile from month to month, and a 0.8% drop in sales at gas stations due to lower gas prices (a huge benefit to the consumer). Excluding autos and gas stations, retail sales increased a solid 0.6%. Gas station sales are down a whopping 19.9% from a year ago. However, the volume (gallons) of gas sales is picking up - the effect of prices on supply and demand works again; in the twelve months through September (the latest data available) Americans drove the most miles on record. Overall retail sales are up a Plow Horse 1.4% from a year ago, but a much stronger 3.6% excluding gas. “Core” sales, which exclude autos, building materials, and gas stations (the most volatile sectors) were up 0.6% in November, the ninth straight monthly gain, and are up 3.6% from a year ago. Plugging today’s report into our models suggests “real” (inflation-adjusted) consumer spending, on goods and services combined, will be up at a 2.0% annual rate in Q4 while real GDP grows at around a 1.5% rate. In other words, the economy remains a Plow Horse. In other recent news, new claims for unemployment insurance rose 13,000 to 282,000 last week, the 40th straight week below 300,000. Continuing claims increased 82,000 to 2.243 million. Combined, these figures suggest continued moderate payroll growth in December.



| Retail Sales <i>All Data Seasonally Adjusted</i> | Nov-15 | Oct-15 | Sep-15 | 3-mo % Ch. <i>annualized</i> | 6-mo % Ch. <i>annualized</i> | Yr to Yr <i>% Change</i> |
|---|--------------|--------|--------|---------------------------------|---------------------------------|-----------------------------|
| Retail Sales and Food Services | 0.2% | 0.1% | -0.1% | 0.9% | 1.9% | 1.4% |
| Ex Autos | 0.4% | 0.1% | -0.5% | 0.4% | 1.9% | 0.7% |
| Ex Autos and Building Materials | 0.5% | 0.1% | -0.4% | 0.5% | 1.6% | 0.5% |
| Ex Autos, Building Materials and Gasoline | 0.6% | 0.2% | 0.1% | 3.9% | 4.0% | 3.6% |
| Autos | -0.4% | -0.3% | 1.4% | 2.8% | 1.9% | 4.0% |
| Building Materials | -0.3% | 0.9% | -0.5% | 0.5% | 4.9% | 2.2% |
| Gasoline | -0.8% | -1.0% | -4.8% | -23.4% | -16.0% | -19.9% |

Source: Bureau of Census