

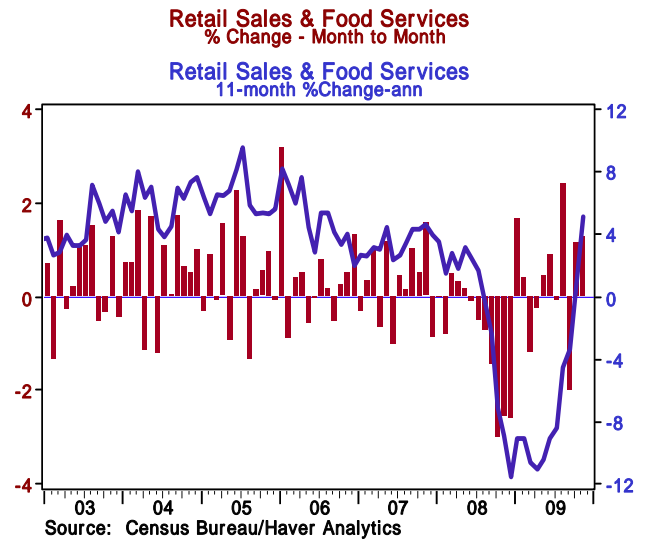
NOVEMBER RETAIL SALES

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- Retail sales increased 1.3% in November, easily beating the consensus expected gain of 0.6%. Retail sales excluding autos increased 1.2% versus a consensus expected rise of 0.4%.
- Retail sales are up at a 6.5% annual rate versus June (just before cash for clunkers). Excluding autos, retail sales are up at a 5.5% annual rate over that period.
- The increase in retail sales in November was widespread, with the largest gains at gas stations and auto dealers. Other strong sectors included grocery stores, department stores/warehouse clubs, and building materials.
- Sales excluding autos, building materials, and gas were up 0.5% in November and are up at a 5.6% annual rate in the past three months.

Implications: At the very beginning of this year many analysts said the US consumer was dead. According to their theory, high unemployment, pessimism about the future, and a desire to pay down debt was supposed to keep our wallets and pocketbooks sealed tightly shut. And yet retail sales are up 5.1% so far this year, 4.8% excluding autos. What's even more remarkable is that the end of cash for clunkers was supposed to put downward pressure on sales this fall, and yet even with the "clunkers hangover," sales are still up significantly. Overall sales were up 1.3% in November. Perhaps the best part of today's report was that building materials were up 1.5%, the largest gain in 19 months, confirming revitalization in home building and perhaps some hiring by residential builders. How can retail sales go up in the face of high unemployment and debt reduction? Because the return to economic growth is generating enough income gains that workers and investors can both shop and pay down debt. Meanwhile, workers anticipate the jobless rate is not going much higher, if at all, and are therefore more likely to spend. In other news this morning, import prices increased 1.7% in November and are up at a 13.4% annual rate in the past six months.

This is mostly, but not exclusively, due to oil. Excluding petroleum, import prices were up 0.7% in November and are up at a 3.8% rate in the past six months. Export prices increased 0.8% in November and are up at a 4.3% rate in the past six months. Excluding agriculture, export prices are up at a 4.8% rate in the past six months. The economy is growing and inflation is rising.



| Retail Sales <i>All Data Seasonally Adjusted</i> | Nov-09 | Oct-09 | Sep-09 | 3-mo % Ch. annualized | 6-mo % Ch. annualized | Yr to Yr % Change |
|--|--------|--------|--------|--------------------------|--------------------------|----------------------|
| Retail Sales and Food Services | 1.3% | 1.1% | -2.0% | 1.5% | 7.3% | 1.9% |
| Ex Autos | 1.2% | 0.0% | 0.7% | 7.9% | 6.1% | 1.3% |
| Ex Autos and Building Materials | 1.2% | 0.2% | 0.7% | 8.7% | 7.5% | 2.3% |
| Ex Autos, Building Materials and Gasoline | 0.5% | 0.3% | 0.6% | 5.6% | 3.7% | 1.2% |
| Autos | 1.6% | 7.1% | -14.1% | -23.8% | 13.6% | 5.1% |
| Building Materials | 1.5% | -1.8% | 0.0% | -1.1% | -8.7% | -9.3% |
| Gasoline | 6.0% | -0.5% | 1.3% | 30.4% | 38.0% | 8.9% |

Source: Bureau of Census