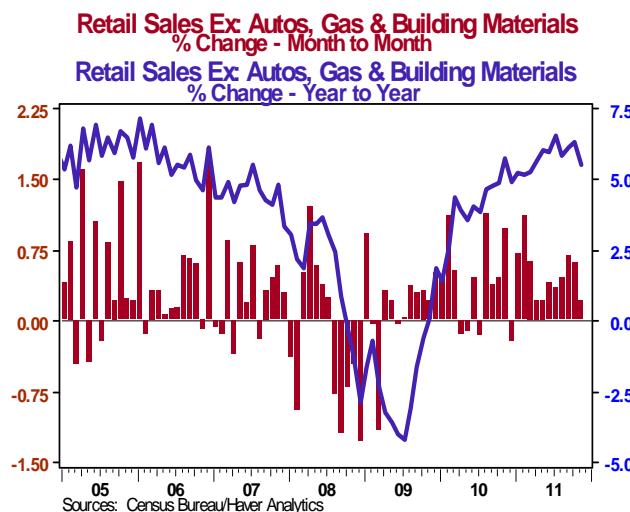
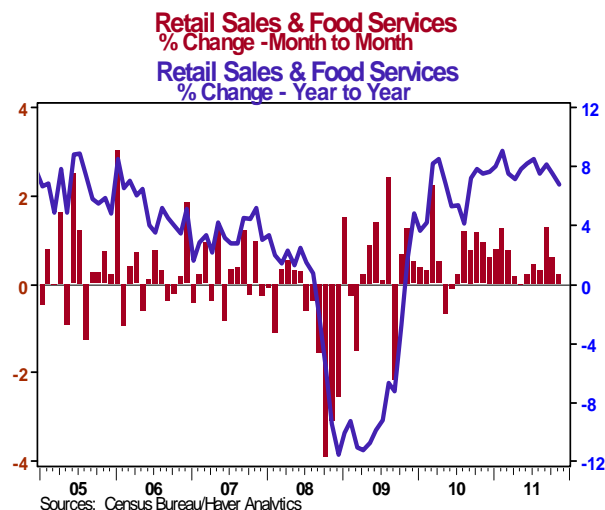


**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst  
**Andrew Hull** – Economic Analyst

## November Retail Sales

- Retail sales grew 0.2% in November (0.4% including upward revisions to September/October). The consensus expected an increase of 0.6%. Retail sales are up 6.7% versus a year ago.
- Sales excluding autos increased 0.2% in November (0.3% including revisions to September/October). The consensus expected an increase of 0.4%. Retail sales ex-autos are up 6.6% in the past year.
- The increase in retail sales in November was led by internet/mail-order sales. Motor vehicles and parts also did well. The rest of the report was mixed, with small gains and small losses in other categories.
- Sales excluding autos, building materials, and gas were up 0.2% in November and up 0.4% including revisions for September/October. If these sales are unchanged in December, they will be up at a 5.6% annual rate in Q4 versus the Q3 average. This calculation is important for estimating real GDP.

**Implications:** Retail sales grew less than the consensus expected in November, but still show solid economic growth. Sales were up 0.4% including upward revisions to prior months. Of the 83 forecasting teams with a prediction for retail sales, we were one of only two that got the November increase exactly right, so today’s data are entirely consistent with our generally bullish economic outlook and sales should be stronger in December. Regardless, there was nothing bad at all about November. Overall sales increased for the 15<sup>th</sup> time in 16 months and sales ex-autos increased for the 18<sup>th</sup> consecutive month. For the record, this kind of consistent and continuous growth is rare. Typically, retail sales have three or four negative months every year, even in good years. The fact that retail sales have remained consistently strong is a sign of a very resilient recovery. “Core” sales, which exclude autos, building materials, and gas, have increased every month so far this year, the first time this has happened since the late 1990s. In other news on the retail sector, chain store sales continue to look good, up 2.9% versus a year ago according to both the International Council of Shopping Centers and Redbook Research. Remember, these figures show *same-store* sales; *total* sales are up more than that. The news also looks good outside the retail sector. Non-retail inventories are up and earlier today, Boeing reported its largest order ever, more than 200 jets, from Southwest Airlines adding to already strong orders for durable goods in November. All in all, fourth quarter real GDP seems to be growing at a 4% annual rate, which would be the fastest pace for any quarter since 2006.



<b>Retail Sales</b> <i>All Data Seasonally Adjusted</i>	<b>Nov-11</b>	<b>Oct-11</b>	<b>Sep-11</b>	<b>3-mo % Ch.</b> <i>annualized</i>	<b>6-mo % Ch.</b> <i>annualized</i>	<b>Yr to Yr</b> <i>% Change</i>
<b>Retail Sales and Food Services</b>	0.2%	0.6%	1.3%	8.7%	6.2%	6.7%
<b>Ex Autos</b>	0.2%	0.6%	0.6%	5.6%	4.9%	6.6%
<b>Ex Autos and Building Materials</b>	0.2%	0.5%	0.7%	5.3%	4.7%	6.5%
<b>Ex Autos, Building Materials and Gasoline</b>	0.2%	0.6%	0.7%	6.2%	5.6%	5.5%
<b>Autos</b>	0.5%	0.8%	4.4%	25.2%	12.6%	7.5%
<b>Building Materials</b>	-0.3%	1.4%	0.0%	4.7%	7.3%	6.2%
<b>Gasoline</b>	-0.1%	-0.4%	0.6%	0.4%	-0.6%	12.9%

Source: Bureau of Census