

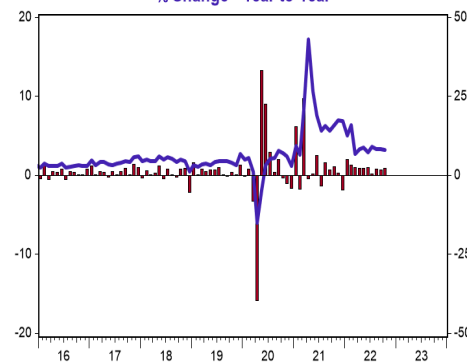
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November Retail Sales

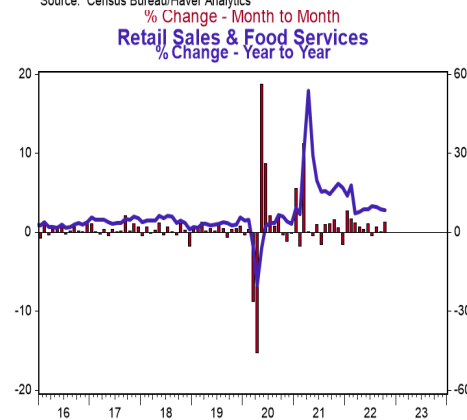
- Retail sales declined 0.6% in November (-0.7% including revisions to prior months), coming in well below the consensus expected decline of 0.2%. Retail sales are up 6.5% versus a year ago.
- Sales excluding autos declined 0.2% in November (-0.4% including revisions to prior months), also below the consensus expected 0.2% gain. These sales are up 7.7% in the past year.
- The largest declines in November were for autos, building materials, and non-store retailers (internet and mail-order). The largest increase was at restaurants & bars.
- Sales excluding autos, building materials, and gas were unchanged in November. If unchanged in December, these sales would be up at a 5.6% annual rate in Q4 versus the Q3 average.

Implications: Retail sales sank in November, falling by 0.6%, taking a breather after the booming report in October. The weakness was widespread as only four of thirteen retail categories grew in November, with the declines led by autos and building materials, dropping 2.3% and 2.5%, respectively. Does this mean the economy is finally rolling over into recession? We don't think so. Part of this is a payback for the massive report that came through in October, while some of this is a continued shift to more spending on services from goods. In fact, the only service category in the retail sales report, restaurants & bars, rose 0.9% in November and is up 14.1% over the past year. "Core" sales, which exclude the most volatile categories of autos, building materials, and gas stations, were unchanged in November. The problem remaining is that one of the key drivers of overall spending is inflation. Yes, consumers are spending more, but they are not taking home the same amount of goods. Although overall retail sales are up 6.5% from a year ago, that pace is not outpacing inflation, with the CPI up 7.1% over the same period. Due to very loose monetary policy and the massive increase in government transfer payments in response to COVID, retail sales are still running higher than they would have had COVID never happened. However, loose monetary policy, which helped finance that big increase in government spending, is translating into high inflation, which is why "real" (inflation-adjusted) retail sales are lower versus a year ago. This doesn't mean overall consumer spending is down; "real" (inflation-adjusted) spending on goods and especially services are still rising. But it does mean overall real consumer spending growth continues to remain soft. What to expect in the months ahead? Retail sales will struggle to keep pace with inflation while overall consumer spending increases modestly due to the service sector, as consumers shift their preferences away from goods and back to services. Ultimately what the data show is that the Federal Reserve needs to stay the course and continue to tighten monetary policy. In other news yesterday, import prices declined 0.6% in November while export prices fell 0.3%. Still, in the past year, import prices are up 2.7%, while export prices are up 6.3%. In other news from this morning, initial unemployment claims fell 20,000 last week to 211,000; continuing claims ticked up 1,000 to 1.671 million. Combined, these figures suggest job growth remains positive but will slow sometime in the months ahead.

Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Month to Month
Retail Sales Ex: Autos, Gas & Building Materials
 % Change - Year to Year



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Retail Sales <i>All Data Seasonally Adjusted</i>	Nov-22	Oct-22	Sep-22	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-0.6%	1.3%	-0.2%	2.2%	3.7%	6.5%
Ex Autos	-0.2%	1.2%	-0.1%	3.9%	4.5%	7.7%
Ex Autos and Building Materials	0.0%	1.2%	0.0%	4.9%	4.8%	8.1%
Ex Autos, Building Materials and Gasoline	0.0%	0.7%	0.5%	5.3%	6.7%	7.0%
Autos	-2.3%	1.6%	-0.5%	-5.0%	0.2%	1.3%
Building Materials	-2.5%	1.3%	-0.2%	-7.4%	1.1%	3.6%
Gasoline	-0.1%	4.8%	-4.0%	2.5%	-7.7%	16.2%

Source: Bureau of Census