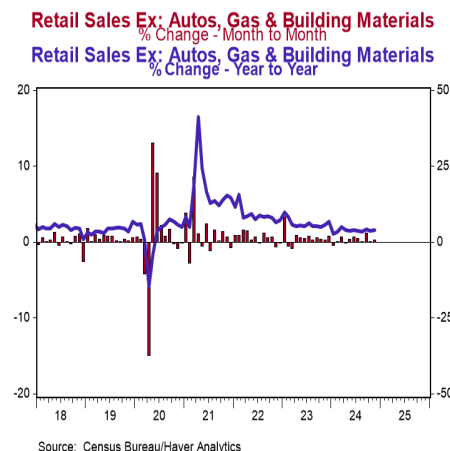
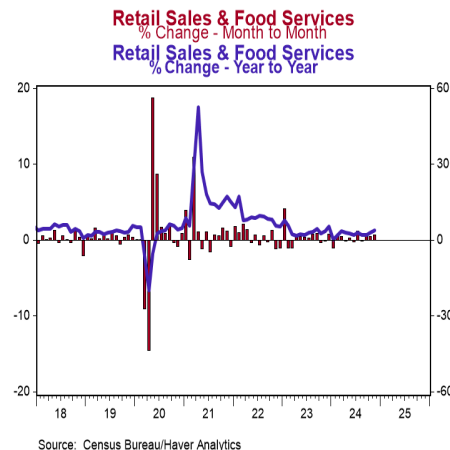


November Retail Sales

Nate Gerze, CFA – Economic Analyst
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Retail sales rose 0.7% in November (+0.8% including revisions to prior months), narrowly beating the consensus expected increase of 0.6%. Retail sales are up 3.8% versus a year ago.
- Sales excluding autos rose 0.2% in November, lagging the consensus expected +0.4%. These sales are up 3.2% in the past year.
- The largest increases in November, by far, were for autos and nonstore retailers (internet and mail-order). The largest decline was for miscellaneous store retailers.
- Sales excluding autos, building materials, and gas rose 0.2% in November and were up 0.3% including revisions to previous months. If unchanged in December, these sales will be up at a 4.2% annual rate in Q4 versus the Q3 average.

Implications: Consumers started off the holiday shopping season strong as retail sales narrowly beat expectations in November, rising 0.7%. Discounted deals during this year’s Black Friday and Cyber Monday holidays were enough to lure US consumers into spending record amounts (although inflation, discussed below, makes spending look artificially strong). The two categories that reaped the most benefit and responsible for the majority of November’s gain were autos and nonstore retailers (think internet and mail-order businesses) which jumped 2.6% and 1.8%, respectively, and both sit at all-time highs. The surge in autos and nonstore retailers masked split spending elsewhere. Looking at the details, seven out of thirteen major sales categories rose in November while six declined. We like to follow “core” sales, which strips out the often-volatile categories for autos, building materials, and gas. That measure rose 0.2% in November and, if unchanged in December, will be up at a respectable 4.2% annual rate in the fourth quarter versus the Q3 average. Within the core sales grouping, sales at restaurants and bars dropped 0.4%, the first decline since March. Restaurant and bar sales are up 1.9% in the past year, a notable slowdown from the 11.1% increase in the year ending in November 2023. We will be watching this category closely since it is the only glimpse we get at services in the retail sales report, which suffered heavily during the COVID years but have since returned to the forefront of the US consumer. As a whole, retail sales are up 3.8% on a year-to-year basis. “Real” inflation-adjusted retail sales are up 1.0% in the past year but still down from the peak in early 2021. This highlights the ugly ramifications of inflation: consumers are paying higher prices today but taking home fewer goods than they were three years ago. And while the Fed looks set to cut interest rates by another quarter percentage point at the conclusion of the meeting tomorrow, it is not at all clear that inflation problems are behind us. We hope they have the resolve to stomp out the embers of inflation even if economic troubles come. In other recent news, import prices rose 0.1% in November while export prices were unchanged. In the past year, import prices are up 1.3% while export prices are up 0.8%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Nov-24	Oct-24	Sep-24	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.7%	0.5%	0.9%	8.5%	5.8%	3.8%
Ex Autos	0.2%	0.2%	1.0%	5.5%	4.7%	3.2%
Ex Autos and Building Materials	0.2%	0.1%	0.9%	5.1%	4.1%	3.0%
Ex Autos, Building Materials and Gasoline	0.2%	0.1%	1.2%	6.2%	5.4%	3.8%
Autos	2.6%	1.8%	0.6%	21.8%	11.0%	6.5%
Building Materials	0.4%	0.8%	1.1%	9.7%	10.5%	4.1%
Gasoline	0.1%	0.1%	-1.4%	-5.0%	-7.1%	-3.9%

Source: Bureau of Census