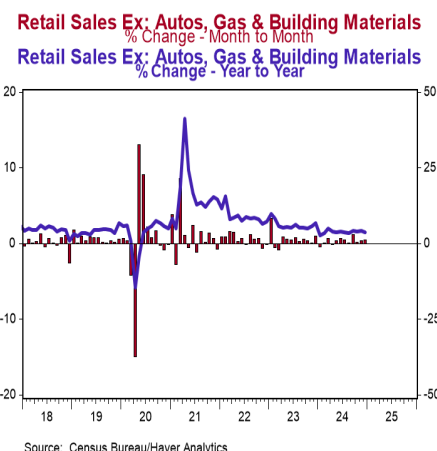
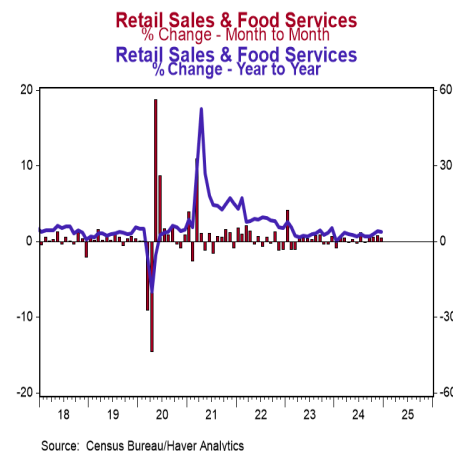


December Retail Sales

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- Retail sales rose 0.4% in December (+0.6% including revisions to prior months), lagging the consensus expected increase of 0.6%. Retail sales are up 3.9% versus a year ago.
- Sales excluding autos rose 0.4% in December, narrowly lagging the consensus expected +0.5%. These sales are up 2.9% in the past year.
- The largest increases in December were for autos and food & beverage stores. The largest decline was for building materials.
- Sales excluding autos, building materials, and gas rose 0.5% in December and were up 0.7% including revisions to previous months. These sales were up at a 5.6% annual rate in Q4 versus the Q3 average.

Implications: Retail sales missed expectations in December, rising 0.4% for the month. The good news: when factoring in revisions, sales rose a consensus expected 0.6%, and the advance was broad-based, with ten out of thirteen categories moving upward. The bad news: much of the rise in December can be attributed to inflation; “real” (inflation-adjusted) retail sales rose just 0.1%. Looking at the details of the report, the gain in December was led by a 0.7% increase in autos, which followed jumps of 3.1% and 2.2% in the previous two months. Auto sales were up 8.4% in 2024, the biggest advance for a calendar year since 2021. This was partially offset by a 2.0% drop for building materials, the largest decline for the category since January. We like to follow “core” sales, which strips out the often-volatile categories for autos, building materials, and gas. That measure rose 0.5% in December and was revised higher in previous months. These sales were up at a solid 5.6% annual rate in the fourth quarter versus the Q3 average. Within the core sales grouping, sales at restaurants and bars dropped 0.3%, the first decline in nine months. Restaurant and bar sales were up 2.4% in 2024, a notable slowdown from the 11.4% increase in 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 3.9% 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 has cut interest rates a total of 100bps since September, 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 news this morning, initial jobless claims rose 14,000 last week to 217,000, while continuing claims dropped 18,000 to 1.859 million. These figures are consistent with continued job growth in January, but at a slower pace than the year before. On the manufacturing front, the Philadelphia Fed Index, a measure of factory sentiment in that region, jumped to 44.3 in January – the highest level since April 2021 – from -10.9 in December. Finally on the trade front, import prices rose 0.1% in December while export prices rose 0.3%. In the past year, import prices are up 2.2% while export prices are up 1.8%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Dec-24	Nov-24	Oct-24	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.4%	0.8%	0.6%	7.3%	7.8%	3.9%
Ex Autos	0.4%	0.2%	0.2%	3.2%	4.5%	2.9%
Ex Autos and Building Materials	0.6%	0.3%	0.2%	4.5%	4.9%	3.3%
Ex Autos, Building Materials and Gasoline	0.5%	0.3%	0.2%	4.2%	5.4%	3.8%
Autos	0.7%	3.1%	2.2%	26.7%	23.2%	8.4%
Building Materials	-2.0%	-0.8%	-0.3%	-11.8%	-1.7%	-1.8%
Gasoline	1.5%	0.2%	0.2%	7.7%	0.2%	-1.2%

Source: Bureau of Census