

## US Consumers Stall Out In Q4

- Retail sales disappointed expectations
- The key control group is contracting during Q4 in volume terms...
- ...and that indicates a soft consumer driver of GDP growth
- Breadth was soft
- The overall tone of the release indicates a slowing consumer

### US, Retail Sales, Headline / Ex-Autos / Ex-Auto-Gas, m/m %, November:

Actual: 0.2 / 0.1 / 0.0

Scotia: 0.6 / 0.4 / na

Consensus: 0.5 / 0.4 / 0.4

Prior: 0.4 / 0.3 / 0.2 (revised from 0.3 / 0.2 / 0.1)

Markets are ignoring a softer than expected US retail sales report ahead of China's press conference on trade negotiations at 10:00amET and following a confusing Trump tweet. Nevertheless, there is important information contained within the readings that indicates a stalled US consumer.

**Key is that the control group was up by only 0.1% m/m** and will limit how this report flows through to how consumption is captured in GDP accounts. Strip away the CPI report from Wednesday, and retail sales were roughly flat to slightly lower in volume terms while the control group probably went negative. Overall, while retail sales can be subject to large revision risk, at this point the holiday shopping season got off to a weak start.

**The retail sales control group is contracting during Q4 in volume terms.** The value of the control group's sales is tracking only a 0.9% q/q gain at a seasonally adjusted and annualized rate. **Strip away price hikes and sales volumes fell**, given that headline CPI is tracking a 2.3% q/q SAAR rise and core CPI excluding food and energy is tracking a 1.8% q/q SAAR rise. Chart 1 demonstrates the connection between the real retail control group's movements and real consumption as captured in the GDP accounts to show the rough connection and the Q4 weakness.

**On balance, while retail sales can be wickedly revised as new information arrives, sales volumes appear to be losing momentum into the final quarter of the year which plays to the slowing economy theme.**

### Five out of 13 categories fell and three were roughly flat in value terms.

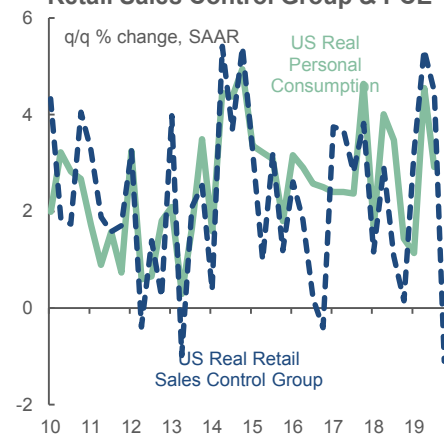
Upsides came from a 0.5% m/m rise in sales of vehicles and parts, a 0.7% rise in electronics sales and higher gas prices that pumped gas station sales 0.7% higher. Non-store retailers (aka on-line) saw a solid 0.8% m/m rise after a prior 0.6% gain and so e-commerce made market share in roads so far this holiday season. Weakness was concentrated at health/personal care stores (-1.1% m/m), clothing sales (-0.6%), sporting goods (-0.5%), eating/drinking establishments (-0.3%) and 'miscellaneous' (-0.4%). General merchandise store sales were little changed (+0.1%) including a 0.6% m/m drag on department stores' sales. Building materials were flat, and furniture stores' sales were up a smidge (+0.1%).

Please see the second chart for the weighted contributions to growth in the value of retail sales during November versus October by sector.

### CONTACTS

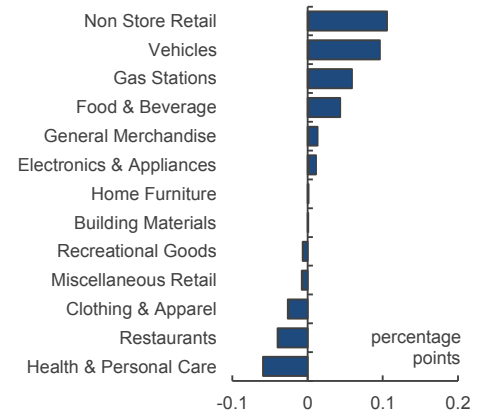
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### Retail Sales Control Group & PCE



Sources: Scotiabank Economics, BEA, US Census.

### November US Retailer Contributions to Nominal Retail Sales



Sources: Scotiabank Economics, US Census Bureau.

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