US Retail Sales—A Better End To A Weak Quarter

- **December's sales gain was in line with expectations net of revisions**
- **Sales ex-autos and gas posted the first rise in four months…**
- **...as a bleak quarter ended on a stronger note…**
- **...that is nevertheless too early to call a trend**

US, Retail Sales, Headline / Ex-Autos / Ex-Auto-Gas, m/m %, December:
Actual: 0.3 / 0.7 / 0.5
Scotia: 0.2. / 0.4 / na
Consensus: 0.3 / 0.5 / 0.4
Prior: 0.3 / 0.1 / -0.2 (revised from 0.2 / 0.1 / 0.0)

A weak quarter ended on a nevertheless better note for US retailers. Future bidirectional revision risk is always high on this report, but the new information is that sales ex-autos and gasoline — both generally known components into the figures — registered a solid gain albeit with the help of a downward revision.

Sales ex-autos and gas were up 0.5% for a slight beat to consensus but only because of a downward revision to -0.2% for November from 0%. With the revision to November, this measure of sales fell in every month from September to November (-0.3%, -0.1% and –0.2% respectively). A half-point pop higher in December is welcome, but it's against the trend.

The control group is how this report feeds into consumption in GDP and it was up 0.5% m/m, which again is a slight beat but only due to a downward revision (ie: softer entry point into the month than previously understood). The control group excludes autos, gas and building materials and the December gain was the first in four months. The control group fell 0.4% m/m in September, was flat in October, fell another 0.1% in November and then jumped 0.5% in December.

For Q4 overall, the retail sales control group fell by -0.3% q/q at a seasonally adjusted an annualized rate. That follows a 6% rise in Q3. These are nominal figures, and so **in real terms, the retail sales control group significantly contracted. What this spells is softer overall consumption in GDP (chart 1).**

Retail sales under-sample services spending and so soft growth in overall consumption is expected, but retailers had a generally muted quarter

Aside from the control group, sales ex-autos and gas were down 0.2% q/q SAAR in Q4 after a 6.5% jump the prior quarter. Again, all nominal. Headline retail sales were up 2.2% q/q SAAR and hence driven by autos and gas, following a 5.7% prior quarterly gain.

Chart 2 shows sales by component on a weighted contribution to growth basis. The improvement in monthly sales ex-autos and gas was almost equally driven by each of clothing/apparel, building materials, food and beverages, and general merchandise. All contributed just under 0.1 percentage points to the m/m SA gain.

For headline sales, gas stations added 0.23 percentage points to m/m growth and that was totally offset by an equal weighted contribution from vehicles that subtracted 0.26%. One surprise is therefore gas station sales. They didn't get a price lift, so volumes and miles driven gauges must have driven that upside.

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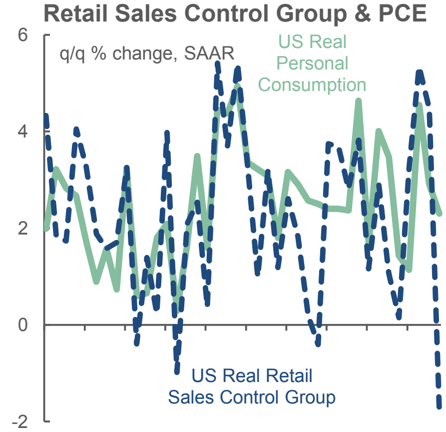
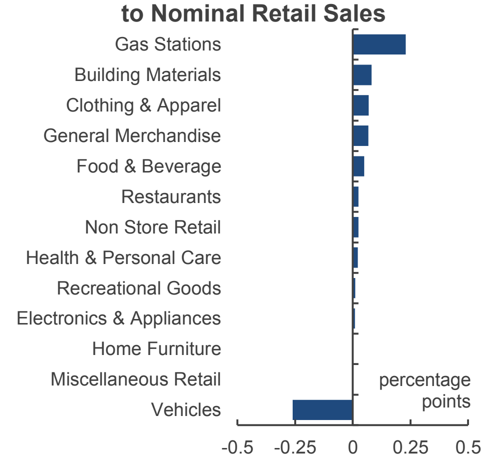
Retail Sales Control Group & PCE



Sources: Scotiabank Economics, BEA, US Census.

December US Retailer Contributions to Nominal Retail Sales



Sources: Scotiabank Economics, US Census Bureau.