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## December Retail Sales: More About The Calendar Than The Consumer: Part Deux

- › Retail sales rose by 0.3 percent in December after rising by 0.3 percent in November (initially reported up 0.2 percent)
- › Retail sales excluding autos rose by 0.7 percent in December after being unchanged in November (initially reported up 0.1 percent)
- › Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.5 percent in December

Total retail sales rose by 0.3 percent in December, matching the consensus forecast but short of our forecast of a 0.5 percent increase, while the prior estimate of November retail sales was bumped up one-tenth of a point. Ex-auto retail sales rose by 0.7 percent, matching our above-consensus forecast, and control retail sales rose by 0.5 percent, a bit shy of our above-consensus forecast of a 0.6 percent increase. In our weekly *Economic Preview*, we stated that the estimates of sales by nonstore retailers would not likely capture the full weight of online sales during November and December, and today's release affirms our suspicions. Census reports sales by nonstore retailers rose by just 0.2 percent in December after having been unchanged in November; online sales, which account for roughly 88 percent of sales in the broad nonstore retailers category, are reported to have fallen by 0.2 percent in November (online sales are reported with a one-month lag) after having fallen by 0.7 percent in October. Raise your hand if any of these numbers make sense to you . . . seeing none, we'll simply note these estimates are badly at odds with other estimates of online sales. To be sure, revisions will, ultimately, adequately capture online sales during the holiday season, but, if nothing else, the December retail sales data should at least allay concerns over the staying power of U.S. consumers. Though the tendency is to take any disappointing sales report by any individual retailer as an ominous sign for broader consumer spending, the reality remains that shopping patterns continue to evolve with online sales capturing an increasingly large share of spending on goods, even if that isn't always obvious in the monthly retail sales reports.

The increase in retail sales in December was broad based, with sales rising in 12 of the 13 broad categories for which data are reported. The exception was motor vehicles and parts dealers, where sales were down by 1.3 percent in December, reflecting the decline in unit motor vehicle sales. Thanks to price effects, gasoline station sales jumped by 2.8 percent in December. Apparel store sales are reported to have risen by 1.6 percent, while sales at building materials stores were up by 1.4 percent. Though sales in the broad general merchandise stores category

were up by 0.6 percent, department store sales continued their long-running decline, falling by 0.8 percent in December.

In our write up of the report on November retail sales, we noted that the paltry gain in retail sales was more about the calendar than the consumer. In other words, that Thanksgiving fell so late this year and that Cyber Monday fell in December worked to hold down measured November retail sales. We further noted that, if we were correct on this point, there would be payback in the December data, though with motor vehicle sales acting as a drag on total retail sales, that would be more apparent in the prints on ex-auto and control sales in December. To a large extent, the December data affirm our view, but, again, with such a watered down estimate of sales by nonstore retailers, the bounce in sales in December is smaller than we believe to have actually been the case.

Even with the suspect estimates for November and December sales, sales by nonstore retailers lapped the field in 2019, with a full-year increase of 13.1 percent. At the other end of the spectrum, sales at electronics and appliance stores fell by 3.7 percent in 2019, which is of course not unrelated to the spike in sales by nonstore retailers (again, with the one-month reporting lag, we do not yet have full-year data for the online sales category). Keep in mind that the retail sales data are reported on a nominal basis, i.e., they are not adjusted for price changes. This is apparent in categories such as gasoline station sales, which increased by only 0.5 percent for 2019 as a whole reflecting what was a 3.6 percent decline in retail gasoline prices. Price effects also weighed on growth of sales at apparel stores and grocery stores in 2019.

Q4 growth in spending on goods will look unimpressive, which reflects the quarter getting off on the wrong foot. Control retail sales ended Q3 below the quarterly average then were flat the first two months of Q4. That control sales ended Q4 on a solid note – likely stronger than the initial estimate for December implies – sets 2020 spending growth on the right note. As long as labor market conditions remain healthy, we'll retain our constructive view of consumer spending.

