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November Retail Sales: Strong Headline, But A Mixed Bag Under The Hood

- › Retail sales rose by 0.7 percent in November after rising 0.5 percent in October (originally reported up 0.4 percent)
- › Retail sales excluding autos rose by 0.2 percent in November after rising 0.2 percent in October (originally reported up 0.1 percent)
- › Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.4 percent in November

Total retail sales rose by 0.7 percent in November, matching our above-consensus forecast, while the estimate of October sales was revised up to show an increase of 0.5 percent rather than the 0.4 percent increase first reported. Though seemingly strong on the surface, November's increase was mainly driven by two categories, motor vehicle sales and sales by nonstore retailers, with a mixed performance amongst the remaining categories. That can be seen in the 0.2 percent increase in ex-auto sales, below what we and the consensus expected. Control retail sales, a direct input into the GDP data on consumer spending on goods, rose by 0.4 percent in November, in line with the consensus forecast but shy of the 0.6 percent increase we expected. On a not seasonally adjusted basis, control sales were up by 5.8 percent, a bit lighter than our forecast of a 5.9 percent increase. Tracing through the data for October and November reveals some apparent effects of the hurricanes that tore through the Southeast region in late-September/early-October. More fundamentally, the data show Q4 growth in consumer spending on goods coming in at a slower pace than that seen in Q3 but nonetheless show that consumers on the whole remain on firm footing, the clear exception being lower-income households contending with the cumulative increases in prices for necessities over the past few years.

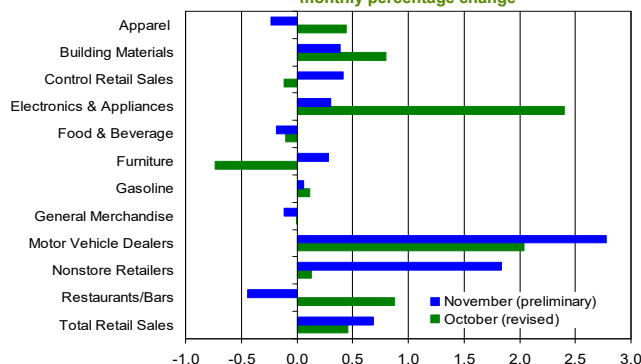
The seasonally adjusted data show sales advanced in seven of the thirteen broad categories for which data are reported. Sales revenue amongst motor vehicle dealers rose by 2.8 percent, reflecting higher unit sales and higher prices for both new and used vehicles. Sales by nonstore retailers, a category dominated by online sales, rose by 1.8 percent in November though this does come off a downwardly revised increase of just 0.1 percent in October. Sales at furniture stores and sales at electronics and appliance stores each rose by 0.3 percent. On the flip side, restaurant sales were down by 0.4 percent in November while grocery store sales were down by 0.2 percent and sales at general merchandise stores were down by 0.1 percent. Within the broad general merchandise stores category, department sales were down by 0.6 percent while sales at warehouse/club stores were higher. Gasoline station sales were basically flat in November, with stronger demand and weaker pricing battling to a draw.

As noted above, the not seasonally adjusted data show control retail sales rose by 5.8 percent in November, just shy of our forecast of a 5.9 percent increase and smaller than the typical November increase. As we noted in this week's *Economic Preview*, a main reason our forecast anticipated a smaller than normal November increase in control sales is that the 7.1 percent increase (revised down from 7.2 percent as first reported) in control sales in October was well above the typical October increase, so it made sense to expect some payback in the November data. This raises a point about shifting patterns in consumer spending that we made in our annual holiday sales preview, which is that the month of October has taken on an increasingly large role in "holiday season" spending over the past few years. More aggressive online promotions during October have gotten holiday season spending off to an earlier start, and the share of total Q4 control retail sales accounted for by October has increased. So, while we and most others still consider the November-December period as the proper measure of holiday season sales, that is not necessarily a complete portrait of total holiday season spending. Additionally, while some have made a big deal out of Thanksgiving having fallen so late this year, historically there is little visible impact in the retail sales data of the shifting timing of Thanksgiving. One potential exception is that "Cyber Monday" fell in December this year rather than in November as is typically the case. While November's increase in not seasonally adjusted sales by nonstore retailers was smaller than the typical November increase, we attribute that more to October's increase being larger than normal, to our point about aggressive online promotions in October, than to Cyber Monday slipping into December. Either way, all that is changing here is the timing of spending, not the amount being spent, but we raise these points here in an attempt to help you process the month-to-month changes which, in the seasonally adjusted data, can be impacted.

Of more relevance, consumer spending remains, again on the whole, solid, bolstered by growth in labor earnings, the largest component of personal income, continuing to outpace inflation. Moreover, adjusting for price changes shows control sales up 4.5 percent year-on-year, easily above the trend rate of growth in real control sales prior to the pandemic.



Retail Sales By Category
monthly percentage change



Stronger October Leads To Payback In November

