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US Retail sales perk up to start the holiday shopping season

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Retail Sales (monthly % chg, unless otherwise noted)	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Nov YoY SA
Retail & food service	0.3%	-0.2%	0.8%	0.7%	0.6%	4.1%
• Ex-autos	0.2%	0.0%	0.8%	0.8%	0.8%	3.6%
Control Group ¹	0.4%	0.0%	0.6%	0.1%	0.8%	4.9%
Motor vehicles, parts	0.5%	-1.1%	1.1%	0.3%	-0.3%	6.1%
Furniture	0.9%	-2.2%	-0.3%	-1.5%	-1.6%	-7.3%
Electronics	-1.1%	1.1%	0.1%	1.4%	-1.0%	12.0%
Building materials	-0.4%	-0.1%	-0.3%	0.5%	0.1%	-2.5%
Food, beverages	0.2%	0.1%	0.4%	0.3%	0.7%	0.4%
Health, personal care	0.9%	1.6%	0.9%	1.5%	0.1%	10.9%
Gasoline stations	-2.9%	-1.2%	1.0%	6.7%	0.3%	-9.4%
Clothing	0.6%	-0.1%	-1.2%	1.0%	1.2%	1.3%
Sporting goods	1.3%	-0.2%	0.5%	-2.1%	1.7%	0.2%
General merchandise	-0.2%	-0.2%	-0.3%	0.3%	1.0%	1.1%
• Department stores	-2.5%	-1.2%	-1.0%	0.2%	1.2%	-5.2%
Miscellaneous	-2.0%	0.7%	4.9%	-3.2%	-1.4%	4.5%
Non-store retailers	1.0%	-0.3%	1.3%	-0.2%	1.7%	10.6%
Eating, drinking	1.6%	0.6%	1.7%	0.6%	0.9%	11.3%

Source: Haver Analytics.

- American consumers perked up at the start of the holiday shopping season, as retail sales provided an upside surprise in November, rising by 0.3% (vs. the 0.1% drop expected by the consensus). While that doesn't seem like a big number, it will look better in volume terms given the softness in goods prices in that month. However, the upside was partly negated by a downward revision to the prior month (now -0.2% vs. -0.1% prev.). The control group of sales, which excludes gasoline, autos, restaurants, and building materials, and feeds more directly into non-auto core goods consumption in GDP, rose by 0.4% (vs. 0.2% expected), but a downward revision to the prior month erased the upside surprise (now flat vs. 0.2% previously). Some key discretionary categories surged on the month, including restaurant sales and online shopping.
- The 1.0% jump in online shopping accounted for 78% of the increase in the control group of sales, which implies a gain of just under 1.0% in volume terms for the control group overall. Online sales account for just under a third of total sales within the control group, and the November pace of sales in the group represented an acceleration from the three-month trend as holiday shopping is increasingly being done online. Some other discretionary categories also

¹ This calculation removes food services, gas, building materials & autos from total retail & food service sales.

showed impressive advances including sporting goods, clothing, and furniture, but those were coming off of declines in the prior month.

- Looking at the total retail sales basket, 8 of 13 categories saw higher spending on the month, an improvement from the prior month. That could have been helped by the drop in gasoline prices that freed up some money for spending elsewhere. Auto sales rebounded after an outsized drop in the prior month, and restaurant spending surged by 1.6%. The climb in auto sales is in contrast to the earlier reported drop in auto sales volumes, but could partly capture a rebound in used car prices. We expect high interest rates to weigh on demand ahead and supply improvement should keep prices contained in that category.
- The impact of rate hikes is visible in the year-over-year figures in some categories including building materials (-2.5%), and furniture (-7.3%), but the overall control group is still 5% above year-ago levels.

Implications & actions

Re: Economic forecast — After a surge in the fall, retail activity appears to be decelerating in nominal terms, while still suggesting moderate volume growth in Q4. A further deceleration is likely, given the low household saving rate. A rise in saving, coupled with a slowdown in the labor market, should underpin slower consumption in the winter months.

Re: Markets — There was little market reaction to the data as the downward revisions partly erased the upside surprise and this likely won't change the Fed's calculus.

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