

Economics

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US retail sales (Dec): Have we begun the descent?

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Retail Sales (monthly % chg, unless otherwise noted)	Dec	Nov	Oct	Sep	Aug	Dec YoY SA
Retail & food service	0.0%	0.6%	-0.2%	0.1%	0.5%	2.4%
• Ex-autos	0.0%	0.4%	0.2%	0.1%	0.6%	3.3%
Control Group ¹	-0.1%	0.2%	0.5%	-0.2%	0.7%	3.4%
Motor vehicles, parts	-0.2%	1.2%	-1.5%	0.0%	0.4%	-1.1%
Furniture	-0.9%	-0.1%	1.4%	-2.4%	-2.6%	-5.6%
Electronics	-0.4%	0.2%	0.2%	-0.6%	-0.1%	2.1%
Building materials	1.2%	1.2%	-0.7%	0.0%	0.2%	0.5%
Food, beverages	0.2%	-0.1%	0.0%	-0.2%	0.6%	1.1%
Health, personal care	-0.2%	0.3%	-0.4%	1.3%	-0.2%	6.4%
Gasoline stations	0.3%	1.7%	-1.4%	2.0%	0.3%	1.6%
Clothing	-0.7%	0.5%	1.4%	-0.8%	0.6%	5.1%
Sporting goods	0.4%	0.9%	2.1%	-1.0%	1.4%	6.0%
General merchandise	-0.1%	-0.1%	0.4%	0.0%	0.1%	1.2%
• Department stores	-0.7%	-3.1%	4.8%	-0.6%	0.4%	-0.3%
Miscellaneous	-0.9%	1.3%	1.9%	2.4%	-2.7%	9.4%
Non-store retailers	0.1%	0.0%	0.7%	-0.7%	2.0%	5.3%
Eating, drinking	-0.1%	0.7%	-0.1%	0.2%	0.6%	4.7%

Source: Haver Analytics.

- Holiday stockings were a little less stuffed this past December than expected. The December headline retail sales were flat in the month, compared to consensus expectations of a 0.4% gain. The control group of sales, which feeds more directly into non-auto goods consumption in GDP, declined by 0.1% in the month, also falling short of a 0.4% expected rise. The prior month for the control group was revised down two ticks to 0.2%. There was broad-based weakness this month across categories as only 5 of 13 saw increases. The largest declines came in furniture, the miscellaneous category and clothing. Non-store retailers (online sellers) increased by just 0.1% in the month. The consumer has been nearly unstoppable for the past several months, so today's report could just be a normal pullback. Or it could be the first sign of some greater fatigue as households worry about their future job prospects in a labor market continues to cool.
- Today's data, along with the other data released, has our GDP nowcast pointing to 2-2.5% in Q4, well below the Atlanta Fed Nowcast which will likely sit somewhere close to 4% once today's data is incorporated. Consumption

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

growth is tracking a healthy 2.8% in Q4, largely on strong momentum from the end of Q3, start of Q4, and leaving a softer handoff for Q1.

- The broad range of US data is starting to point to a modest deceleration in the underlying trend of the economy. In addition to softer consumer spending today, slowing wage growth (see in today's ECI report), a drop off in private hiring and a dip in job openings could be a signpost of growth cooling from a sizzling pace to a more pace, that should show up more materially in 26Q1.
- For the Fed, tomorrow's payroll report will be key to whether the economy needs some rate relief sooner than mid-year. The benchmark revisions that will also be released tomorrow will provide a more complete picture of how the labor market performed over most of 2025, and a better assessment of the overall balance in the job market. On inflation, despite some data issues, the underlying trend does also look cooler and the pending Supreme Court ruling on the administration's global tariffs could be causing businesses to continue absorbing higher trade costs until there is more clarity on that front. But January is always the month of high price resetting, and healthcare costs should ramp up materially at the start of the year.

Implications & actions

Re: Economic forecast — GDP growth will be on the range of 2-2.5% in Q4 (including the impact of government shutdown).

Re: Markets — Bond yields and the broad dollar dipped, likely in response to the downside surprise in the retail report as well ECI.

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