

US: ROBUST RETAIL SALES – STRONG START TO HOLIDAY SEASON

**U.S. retail sales advanced a strong 0.8% m/m in November and were revised up significantly to a 0.5% m/m gain in October from 0.2% (Chart 1)*

**Excluding autos, retail sales were even stronger, advancing 1% m/m. Sales were broadly strong, with only one of the 13 major categories declining*

**Non-store retail sales (includes online) picked up by 2.5% in November, an indication of a strong start to the holiday shopping season (Chart 2)*

The robust increases in retail sales—both the total and its control group that is measured directly in GDP—despite more modest growth in real disposable personal income reflects the strong increases in household net worth (the strong rally in equity prices and continued increases in home values) and elevated consumer confidence (see [“U.S. confidence points toward sustained momentum”, October 9, 2017](#)). Continued job gains and sustained low unemployment has lifted confidence across income levels. On average, household finances continue to improve.

The strong retail sales number suggests that the personal saving rate will decline even further from its already low level this quarter.

Control retail sales (excludes sales at food services and drinking places, gasoline stations, building materials, and auto stores), which factor directly into GDP, increased by 0.8% m/m and were revised up by 0.1pp to 0.4% in October. They are on pace to advance by a strong 5.4% annualized in Q4, the best pace since 2014 and sets a high baseline for broader private consumption (see Chart 3).

Spending on discretionary categories was strong in November, reflecting a willingness to spend on non-essential goods and services:

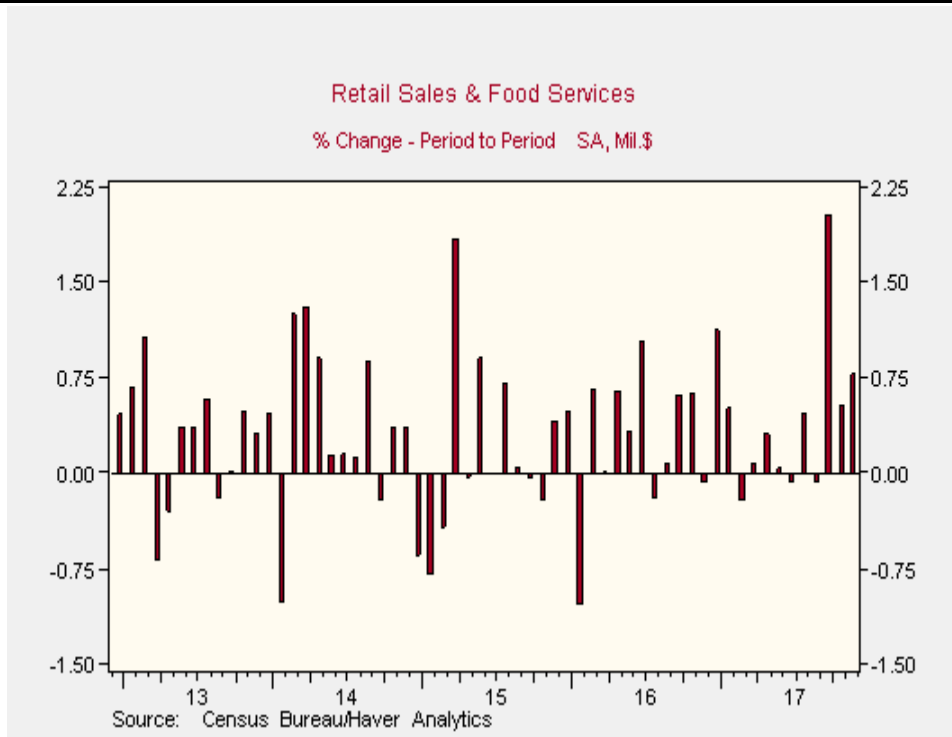
- 1) Sales at food services and drinking places increased by a strong 0.7% m/m
- 2) Sporting goods, hobby, book, and music sales rose 0.9% m/m
- 3) Electronics and appliances sales rose 2.1%

The U.S. consumer and the broader economy are sound cyclically.

This momentum in retail sales, even before individual income tax cuts next year, is encouraging and supports our expectation for a pick-up in economic growth to 2.9% next year when the new legislation takes hold (see [“U.S. 2018 and 2019 growth projections revised up on tax reform”, December 4, 2017](#)).

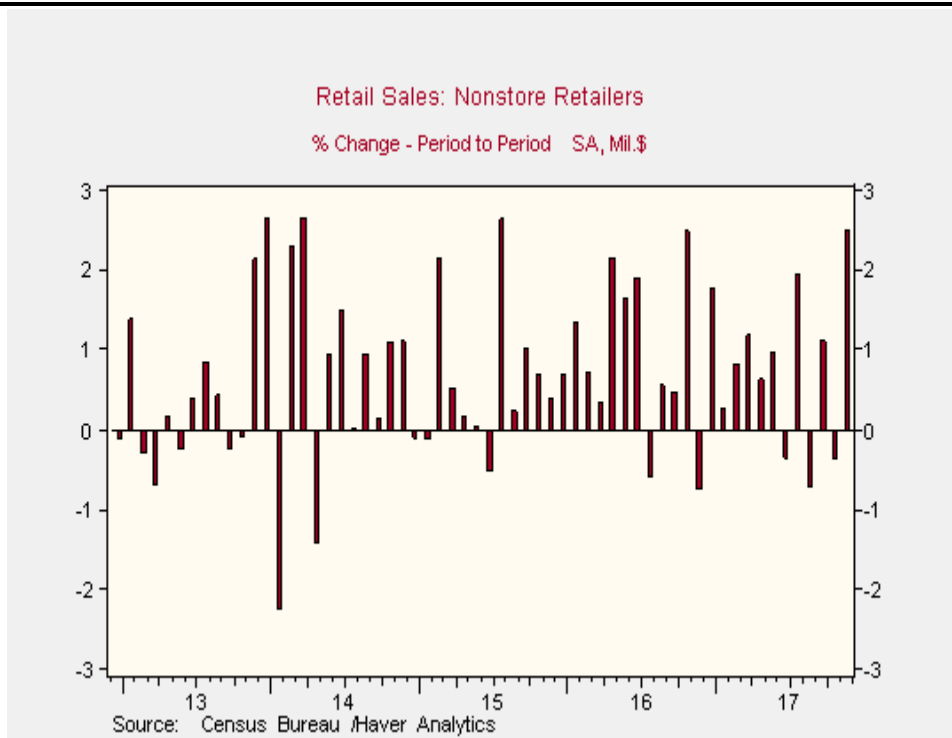
14 December 2017

Chart 1: Total Retail Sales (month-over-month, %)



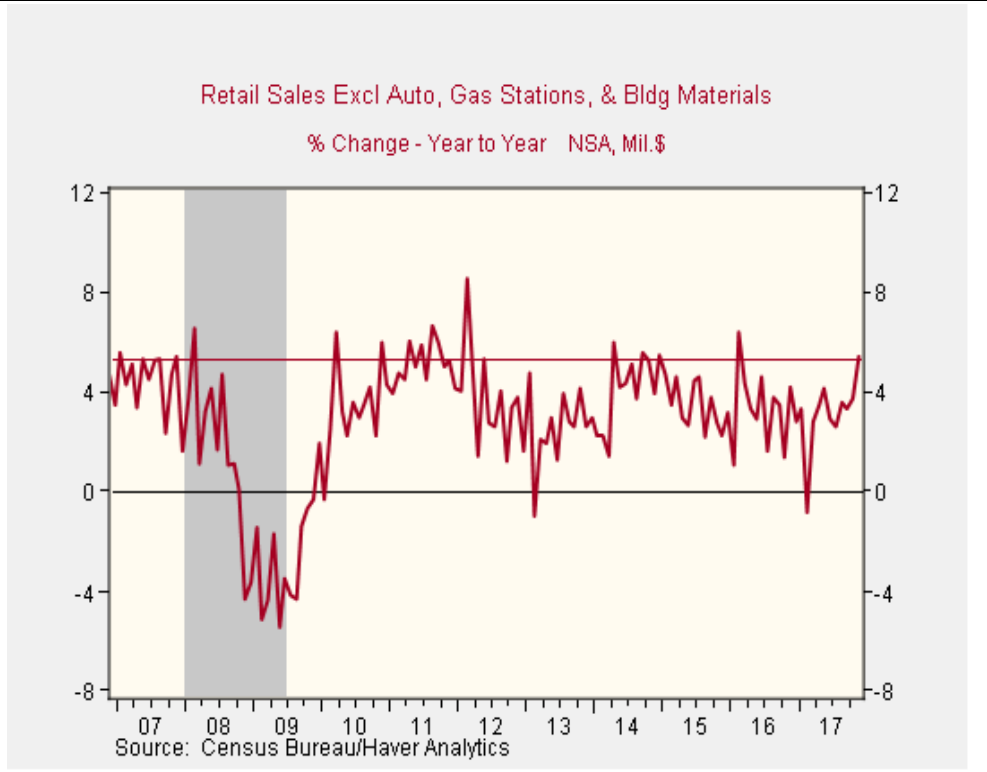
Source: Monthly data. Source: Census Bureau and Haver Analytics

Chart 2: Nonstore Retail Sales (month-over-month, %)



Source: Monthly data. Source: Census Bureau and Haver Analytics

Chart 3: Control Retail Sales (year-over-year, %)



Source: Monthly data. Source: Census Bureau and Haver Analytics

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