



Economic Flash!

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US retail sales end 2011 with a stutter

Commerce Department seasonally adjusted data on U.S. retail sales

Percent Changes:	Dec	Nov	Rev From	Dec11/10
Retail Sales	0.1	0.4	0.2	6.5
Excluding Autos	-0.2	0.3	0.2	6.0
Motor vehicles/parts	1.5	0.9	0.5	8.8
Auto/other motor veh.	1.7	1.0	0.7	9.5
Furniture/home furn	1.0	0.6	0.4	5.6
Electronics/appliances	-3.9	0.5	2.1	0.0
Building/garden equip	1.6	-1.0	-0.3	5.8
Food/beverage	-0.2	-0.1	-0.2	4.9
Grocery stores	-0.2	-0.2	-0.3	4.7
Health/personal care	0.6	-0.1	-0.1	3.1
Gasoline stations	-1.6	0.9	-0.1	8.9
Clothing/accessories	0.7	0.4	0.5	6.0
Sporting goods/hobbies	0.4	-1.4	0.3	2.8
General merchandise	-0.8	0.0	0.3	2.7
Department stores	-0.2	0.0	0.3	-1.0
Misc store retailers	-0.4	-0.1	-1.2	7.3
Non-store retailers	-0.4	1.7	1.5	10.6
Food/drink services	0.7	0.6	-0.3	8.4
Excluding autos/ gasoline/bldg materials*	-0.1	0.3	0.3	5.5
Excluding autos/ gasoline**	unch	0.2	0.2	5.5

**Year-over-year figure calculated by Reuters.

Source: Thomson Reuters

- US retail sales disappointed again in December, with a meager 0.1% m/m increase falling short of consensus forecasts for a 0.3% rise. However, a two-tick upward revision to November (now 0.4% from 0.2%) compensated somewhat for December's weakness. Still the data clearly show that retail sales growth has decelerated compared with average increases of around 0.6% m/m in late summer/fall.
- With auto sales posting a 1.5% increase compared with the previous month, retail sales ex-autos actually fell by 0.2% during December—the first decline on that measure since May 2010.
- The detail showed a near-4% decline in electronics sales—possibly a reflection of supply shortages emanating from flooding in Thailand, but also an adjustment following strong sales in October and November. A reduction in gasoline sales, partly due to lower prices, also dampened overall sales in December. Excluding the gasoline and auto sectors, sales were flat over the month.

- As well as autos, there were 1%-plus increases in sales of furniture and building materials. Clothing also saw a second successive increase, with growth sharpening slightly from 0.4% in November to 0.7%.
- Also released alongside the latest retail sales numbers, weekly initial jobless claims unexpectedly jumped back close to 400K (399K) stemming the recent downward trend. However, taking a four-month average to compensate for any issues in seasonal adjustment, claims remain notably lower than they were at the start of December and reflective of a gradually improving labour market situation.

Implications & Actions

Re: Economic Forecast—Although December’s retail sales report failed to match expectations, the upward revision to November means that today’s release has little implication for Q4 growth. Indeed, GDP for the final quarter of 2011 still looks set to post an increase of around 3% annualized. However, what today’s figures do show is softer momentum heading into the start of 2012, supporting our view for a notable downshift in GDP growth in the first quarter.

Re: Markets—The weaker-than-expected retail sales and initial claims figures dampened stock futures, which were initially higher following positive news out of Europe. The data also proved initially positive for fixed income.

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