

Economic Indicator — January 16, 2025

Retail Sales End 2024 in Good Shape

Summary

Retail sales ended 2024 on a solid note. Sales rose 0.4% in December amid broad based gains that suggest a solid pace of overall consumption in Q4. When combined with upward revisions to November sales, the data put 2024 holiday sales just below their long-run average and suggest it was a decent holiday sales season for retailers.

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U.S. Retail Sales: December 2024												
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Retail Sales (MoM)	-0.9	0.7	0.5	-0.2	0.2	-0.3	1.2	-0.1	0.9	0.6	0.8	0.4
Retail Sales, Ex. Autos (MoM)	-0.9	0.3	0.6	0.1	0.0	0.5	0.5	-0.1	1.0	0.2	0.2	0.4
Control Group Sales (MoM)	-0.4	0.0	0.8	-0.3	0.4	0.9	0.4	-0.2	1.3	0.1	0.4	0.7
Real Retail Sales (MoM)	-0.6	0.3	0.3	-0.4	0.6	0.1	1.3	0.0	1.1	0.6	0.4	-0.1
Retail Sales (YoY)	0.3	2.1	3.6	2.8	2.6	2.0	2.9	2.0	2.0	3.0	4.1	3.9
Retail Sales, Ex. Autos (YoY)	0.9	2.0	3.7	3.2	2.9	3.3	3.2	2.3	2.4	2.7	3.4	2.9
Control Group Sales (YoY)	2.5	2.6	4.6	3.4	3.4	4.0	3.7	3.4	4.3	3.9	4.6	4.1
Real Retail Sales (YoY)	0.2	1.8	3.0	2.4	2.5	2.3	3.2	3.1	3.5	4.1	4.4	3.6

Notes: MoM = Month-over-Month Percent Change
YoY = Year-over-Year Percent Change

Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Economics

Consumers' Spending Intact and A Decent Year for Holiday Sales

Consumer resilience has been a hallmark of the current expansion. It's at times made the job of the Fed more challenging in getting inflation back to target, but it's cut both ways as continued demand has also helped keep the jobs market stable even as hiring has slowed. While we've seen some signs of consumer moderation over the past year amid more choosy spending behavior and lower-income households growing more vulnerable, the last retail report of 2024 tells us households just keep spending.

Retail sales rose 0.4% in December and November sales were revised higher. Sales growth was fairly broad based ([chart](#)), with large gains at miscellaneous retailers (office supply, gift & novelty, used merchandise, florists, and pet stores), sporting & hobby stores and furniture stores. Since these data are reported nominally, the large gain in gasoline sales likely has a lot to do with higher prices at the pump in December, as seen in yesterday's [CPI report](#).

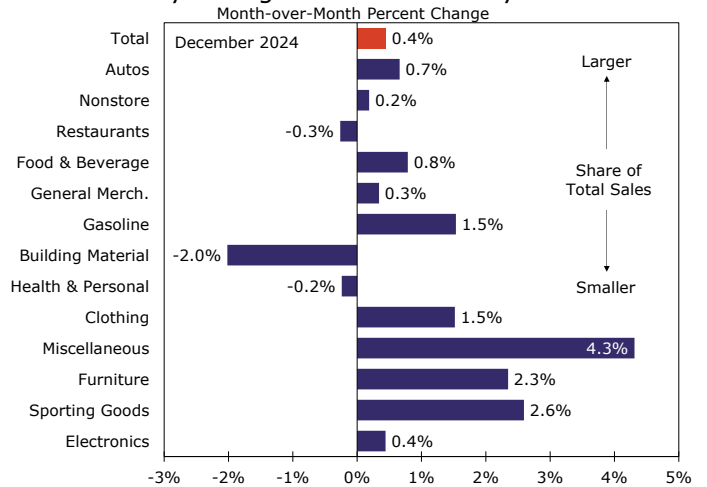
Weak sales were relatively concentrated in December. The largest drop came from sales at building materials & garden stores, which marks the third consecutive decline and largest in nearly a year. But it's the pull back in restaurant sales that give us the most pause. December is the first time in nine months that restaurants have reported a drop in sales. It comes on a weak November gain and amid higher food prices in December, meaning inflation-adjusted or real restaurant sales were even lower.

In excluding these three components, control group sales, which is a good proxy for broad goods spending in GDP accounting, rose 0.3% and is consistent with broad real personal consumption expenditures rising at around a 3% annualized rate in Q4. We'll ultimately get a full look at services-spending with the personal income & spending report later this month, but the drop in restaurant sales specifically potentially signals some pullback on discretionary-services during the holidays to fund gift purchases.

To that end, holiday sales surprised to the upside in 2024. The December retail report brings a close to the holiday shopping season, and it was a decent year for retailers. Holiday sales, which we define as total retail sales excluding sales at auto dealers, gasoline stations and restaurants that take place in the months of November and December rose 4.1% over last year ([chart](#)). While that's above our original forecast from October of 3.3% growth, it puts sales two tenths below the long-run average of 4.3% since 1992. Strong December holiday sales and upward revisions to last month's data helped to drive the solid performance this holiday season.

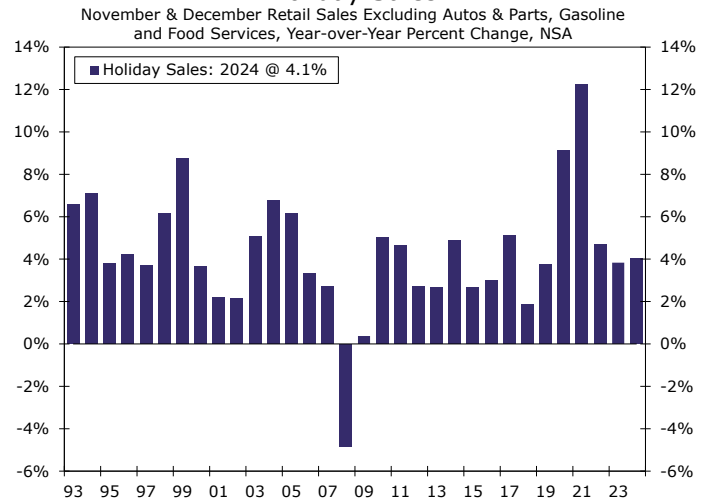
Ecommerce continues to be a strong driver of holiday sales, with sales at nonstore retailers up 6.0% year-over-year through December. Electronic and appliance stores also notched strong gains, up 5.8% on the year. All told, this year's holiday shopping season was even stronger than last year's, as a resilient labor market has continued to support household income growth. As long as households remain employed and are earning income, they likely will continue to spend. That leaves the outlook for retail sales in a healthy place as we kick off 2025.

Monthly Change in Retail Sales by Retailer



Source: U.S. Department of Commerce and Wells Fargo Economics

Holiday Sales



Source: U.S. Department of Commerce and Wells Fargo Economics

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