

Economic Indicator — December 16, 2025

## A Decent Core Retail Sales Report, but Momentum Poised to Slip High-Frequency Data Suggest a Soft Finish to 2025

### Summary

Underlying details of the October retail sales report are in-line with our Holiday Sales forecast and slightly stronger Q4 PCE growth than the 1.0% rate we have in our current forecast. Look out though, higher frequency data points to some slippage in spending in November and December.

Economist(s)

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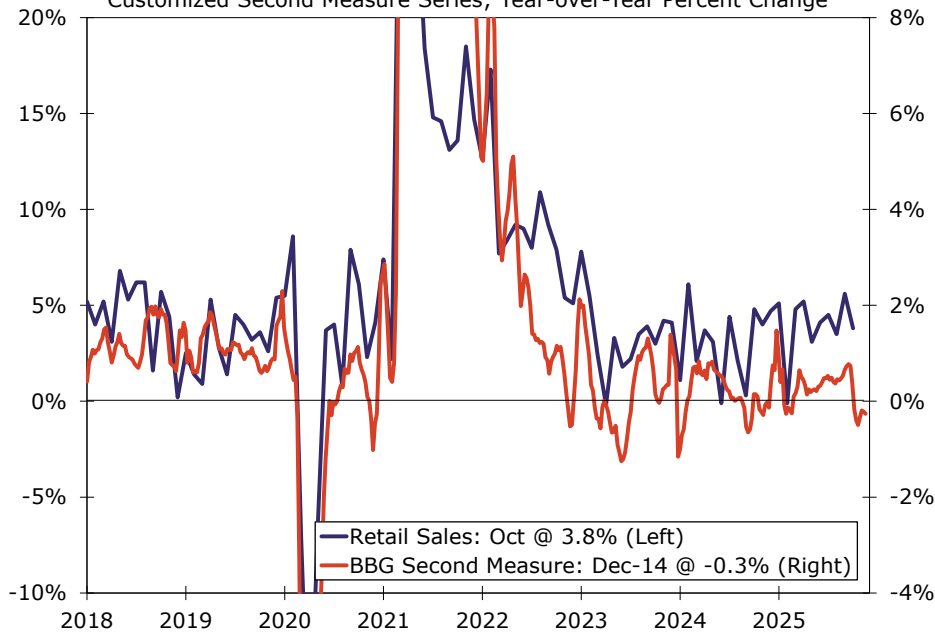
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### U.S. Retail Sales Growth

Monthly Census Bureau vs. 28-Day Trailing Weekly Bloomberg  
Customized Second Measure Series; Year-over-Year Percent Change



Source: U.S. Department of Commerce, Bloomberg Finance L.P. and Wells Fargo Economics

Strength Beneath the Headline

On the face of it, the retail sales report for October was a dud, but the underlying details offer more encouraging signals for Q4 consumer spending and an elevated starting point for the critical two-month stretch for holiday sales.

The headline miss (0.0%) is entirely due to autos, which slipped 1.6%, reflecting payback after a pull-forward ahead of tariffs and then expiring tax credits (chart). Ex-autos, sales surprised to the upside and control group sales, which track well with broader goods consumption, came in even stronger (up 0.8%), suggesting a more solid start to Q4 consumer spending than our 1% CAGR forecast accounts for.

Ultimately these October data and early estimates of Black Friday weekend sales suggest a decent pace of holiday spending, which is now tracking in the middle of our 3.5-4.0% annual range. That said, other high-frequency data suggest some slowdown through mid-December and leave us cautious on how the consumer crosses the finish line (chart). This lost momentum at year-end is also in line with a key theme from our holiday sales forecast amid the steady moderation in the jobs market plus compounding nature of price gains weighing on households' ability to spend.

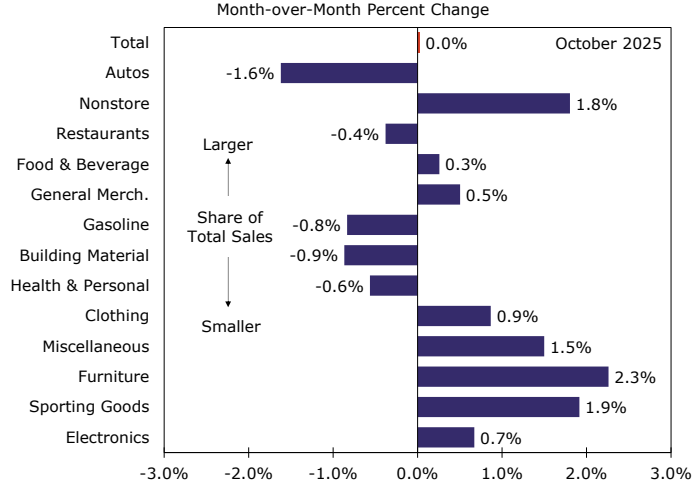
A New Paradox of Thrift?

The big categories that drive retail sales are (in descending order) autos, non-store (online shopping), and bars & restaurants. Those three categories together comprise more than half of all retail sales activity. Spending shifts in the smaller categories may not drive the headline, but they do often provide clues on the decisions that households are making with their spending decisions.

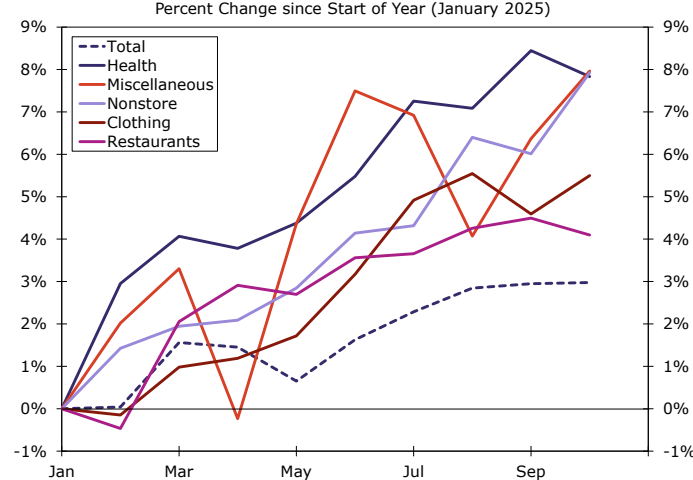
With 10 months of data now in the books in a year that has been characterized by changes in trade policy, spending shifts this year describe how households are prioritizing spending. The fastest growing category overall this year is miscellaneous store retailers, a catch-all category that includes florists, used merchandise and pet supplies (chart). We suspect at least some of the increased traffic in this category is attributable to households seeking to blunt the impact of tariffs by buying used merchandise. Big retailers like Patagonia and even luxury brands have launched resale programs.

The 9.5% annual growth at miscellaneous retailers has swelled the category to a size that is now roughly the same as sporting goods and electronics & appliance stores combined. The second largest and growing category, online sales, is a close second in terms of year-to-date growth as is health & personal care stores.

Monthly Change in Retail Sales by Retailer



Top 5 Fastest Growing Retail Categories



U.S. Retail Sales: October 2025												
	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Retail Sales (MoM)	0.6	0.8	-0.9	0.0	1.5	-0.1	-0.8	1.0	0.6	0.5	0.1	0.0
Retail Sales, Ex. Autos (MoM)	0.0	0.7	-0.3	0.4	0.6	0.0	-0.1	0.9	0.4	0.6	0.1	0.4
Control Group Sales (MoM)	0.1	1.0	-0.4	0.8	0.5	-0.2	0.3	0.9	0.5	0.7	-0.1	0.9
Real Retail Sales (MoM)	0.4	0.3	-1.3	-0.1	2.0	-0.1	-0.7	0.6	0.7	0.1	-0.4	--
Retail Sales (YoY)	3.9	4.6	4.6	3.9	5.1	5.0	3.4	4.4	4.1	5.0	4.2	3.5
Retail Sales, Ex. Autos (YoY)	3.1	3.7	4.4	4.3	4.2	4.1	3.7	4.0	4.0	4.8	3.9	4.0
Control Group Sales (YoY)	4.1	4.9	5.0	5.7	5.4	5.2	4.9	4.7	5.0	5.9	4.2	5.2
Real Retail Sales (YoY)	4.3	4.3	3.8	3.3	5.0	5.1	3.3	3.7	3.3	3.6	2.3	--

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

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