

Economics Group

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Retail Sales Weaker Than Expected in December

Retail sales increased 0.6 percent in December while November's result was revised up to 0.2 percent from 0.1 percent. Retail sales ex-auto was very weak, up only 0.2 percent versus expectations of 0.5 percent.

Retail Sales Driven By Motor Vehicles and Parts Dealers Sales

Once again, automobile sales saved the day for December's retail sales. Motor vehicles and parts dealers' sales were up 2.4 percent in the last month of 2016 to close the year up 6.8 percent, helping boost the retail sales number for both periods. The increase in automobile and parts sales was followed by an increase of 2.0 percent in gasoline sales (up 6.3 percent versus December 2015) and a 1.3 percent increase in non-store retailers' sales (up 13.2 percent versus December 2015). December's jump in gasoline station sales is reflective of somewhat higher prices for the month, making the headline increase in retail sales a bit overstated.

Overall, retail and food services sales increased 0.6 percent while retail sales increased 0.8 percent, indicating that food services and drinking places brought the number down during the month. Food services and drinking place sales dropped 0.8 percent during the month to cap a very weak year for this services segment of the retail sales report, up only 2.8 percent versus a year earlier.

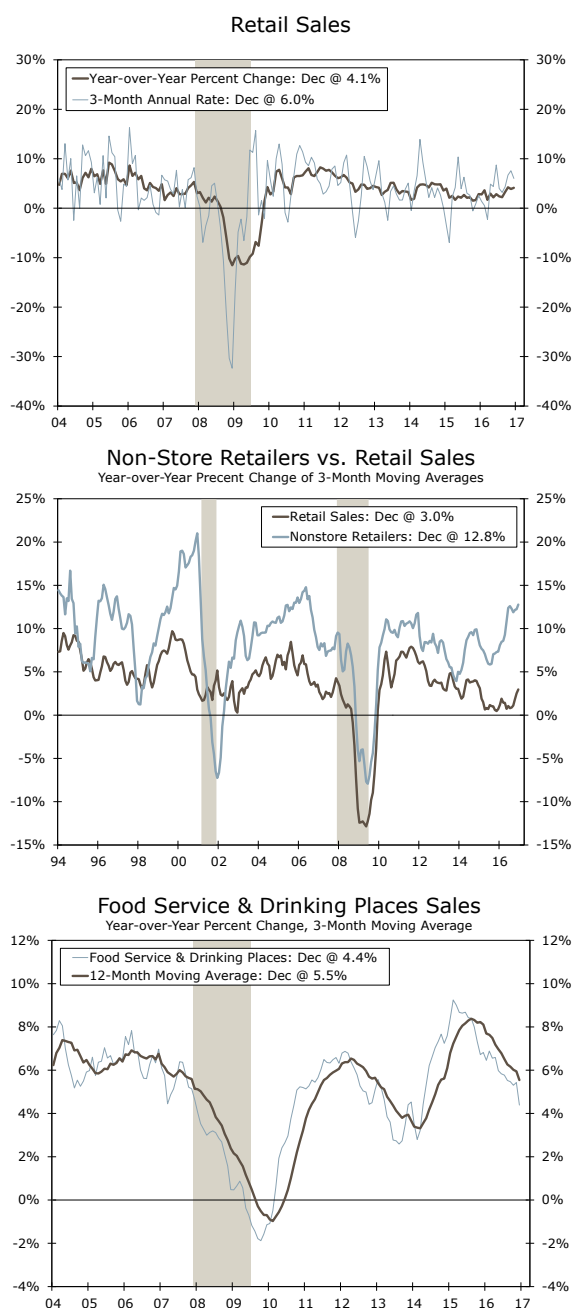
Other than automobile and gasoline sales, the report points to a relatively weak showing for the consumer in December. The housing component of the retail sales report was relatively strong, with furniture and home furniture store sales up 0.5 percent (up 3.1 percent versus a year earlier) building material and garden equipment sales were up 0.5 percent (up only 2.6 percent versus a year earlier). Meanwhile, health and personal care store sales were up 0.3 percent (6.2 percent higher than a year earlier) while sporting goods, hobby, book and music store sales were up 0.2 percent (down 3.6 percent versus a year earlier).

The rest of the sectors were either flat (clothing and clothing accessories store sales) or down. The largest drop was recorded in the miscellaneous store sales, down 1.0 percent. However, the sector still recorded the third largest year-on-year increase, up 7.1 percent. Meanwhile, general merchandise store sales were down 0.5 percent (-2.8 percent versus a year earlier), electronics and appliance store sales down 0.5 percent (down 2.4 percent versus a year earlier) and food and beverage store sales down 0.3 percent (up 2.5 percent versus a year earlier).

Food Services Sales Continued to Weaken

Food services and drinking places sales, the service component of the retail and food services report, continued to weaken as 2016 came to an end. Food services and drinking places sales were down 0.8 percent while up 2.8 percent versus a year earlier. This sector was one of the strongest retail sectors in 2015 and early in 2016 but has weakened considerably as the year got to a close. Meanwhile, non-store retailer sales growth continues to improve and was the strongest sector of retail once again in 2016, up 13.2 percent on a year earlier basis.

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



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