

Economics Group

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Leftover Gas Money & A Little More Cash for Holiday Spending

Retail sales were up 0.2% in November. Gas stations saw a price-related 2.3% decline, but other categories did better. Control group retail sales, a proxy for PCE, grew 0.9%, the best monthly print for the year so far.

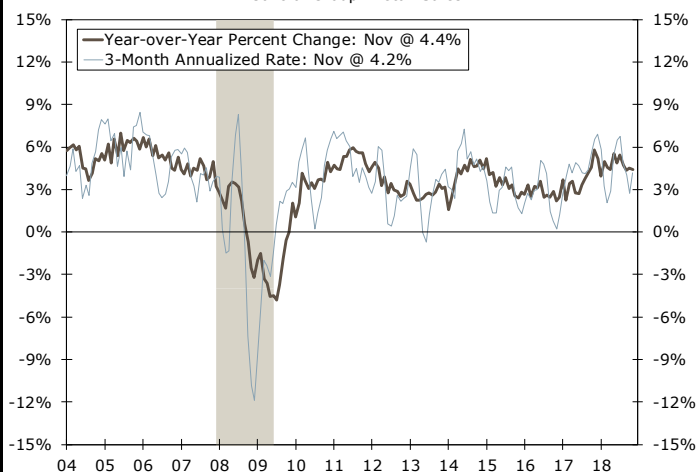
Consumer Spending on Pace for a Decent Q4

- Despite worries about slower growth in other parts of the economy, the surge in control group sales suggests consumer spending is on track to finish the year with momentum.
- The headline print was held back by the fact that gas prices in November were off by about a third from where they were in October. For retailers in other categories though, this is good news as smaller gas outlays mean more money for other items.

Holiday Sales Coming in Hot

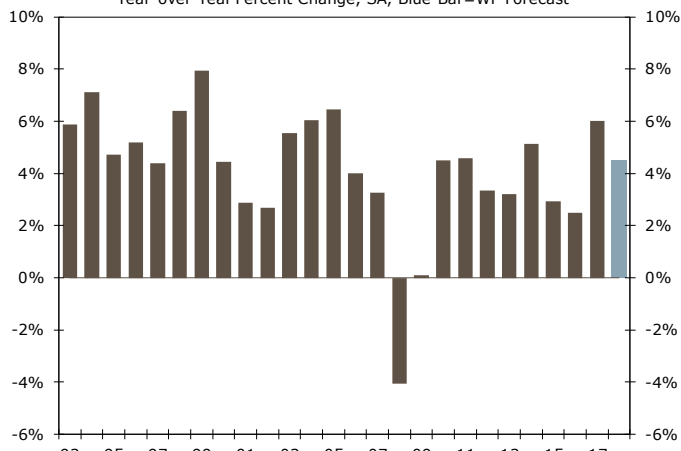
- This is the first month for holiday sales and despite some earlier downward revisions, our forecast for a 4.5% increase over last year's holiday spending number appears to be on track. We'd need to see a December increase of 0.3% in holiday-related outlays to hit our target. Further out, we're less sanguine on the consumer. Come January, the holiday bills come due, and as we hit the anniversary of tax cuts, the year-to-year comps get tougher.

Retail Sales Ex-Food, Autos, Gas & Building Materials
 "Control Group" Retail Sales



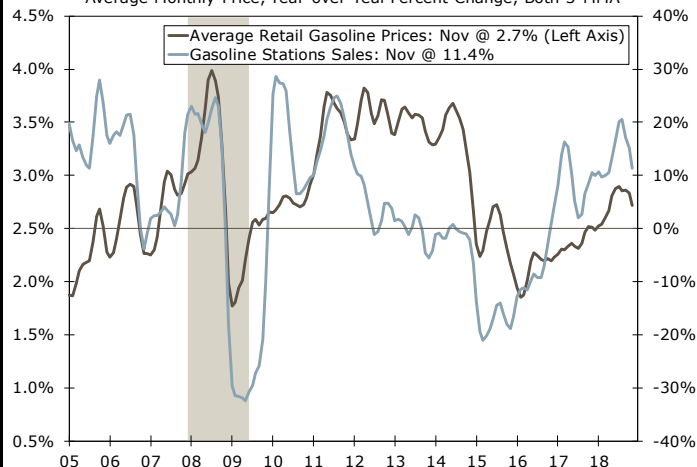
Holiday Sales for November & December

Year-over-Year Percent Change, SA, Blue Bar=WF Forecast



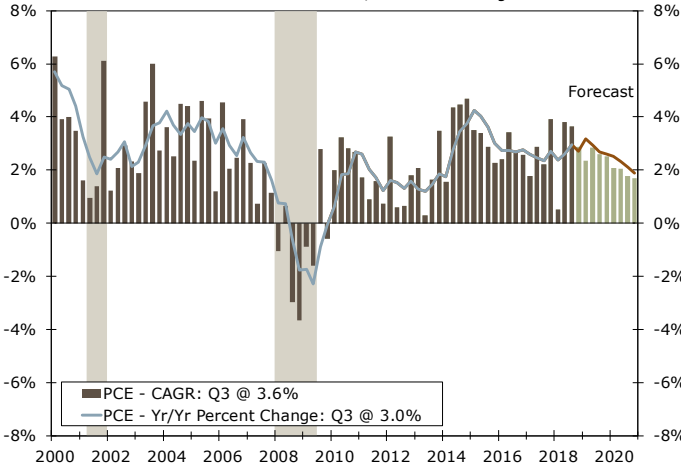
Gasoline Prices vs. Gasoline Stations Sales

Average Monthly Price, Year-over-Year Percent Change, Both 3-MMA



Real Personal Consumption Expenditures

Bars = CAGR Line = Yr/Yr Percent Change



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

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