



# Economics Group

Jay H. Bryson, Acting Chief Economist  
[jay.bryson@wellsfargo.com](mailto:jay.bryson@wellsfargo.com) • (704) 410-3274

## Solid Retail Spending Despite Disappointing Holiday Sales

*Retail sales were reasonably solid in December, but downward revisions to previous months mean that year-over-year growth in holiday spending was not quite as strong as expected.*

### Generally Solid Growth in Retail Sales in December

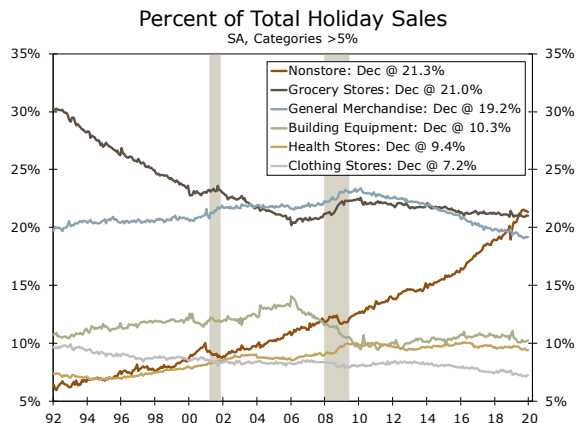
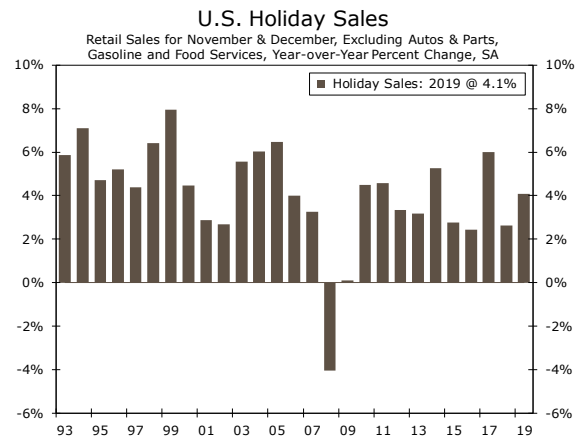
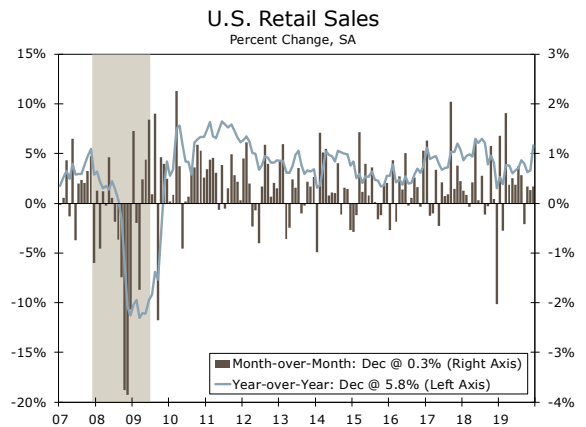
Data released this morning showed that overall U.S. retail sales rose 0.3% on a seasonally adjusted basis in December relative to the previous month, matching the consensus forecast. Sales in November, which were originally reported to have risen 0.2%, were revised higher to 0.3%. On a year-over-year basis, overall retail spending was up 5.8% in December, which was a 16-month high (top chart).

The increase in overall retail spending in December was flattered by the 2.8% rise in sales at gasoline stations. Gas prices trended higher between last summer and the end of 2019, and the increase in those prices helped to push up gasoline station sales in each of the last three months of the year. On the other hand, spending on motor vehicles and parts tumbled 1.3% in December. Stripping out the volatile components of gas and autos, retail sales rose at a healthy clip of 0.5% due to broad-based strength in most other components of spending.

In that regard, so-called “control group” sales were also up 0.5% in December, although November’s original print of a 0.1% gain was revised down to a decline of 0.1%. “Control group” sales, which exclude purchases of gasoline, autos, food services and building materials, is a good proxy for personal spending on goods in the GDP accounts. Today’s data give us some comfort that our projection of a 2.1% annualized rate of increase in real consumer spending in Q4-2019 is reasonably on the mark. Although this would represent a step down from the 3.2% rate that was registered in Q3, U.S. consumer spending is hardly falling apart. We look for continued solid growth in real consumer expenditures, on the order of 2% or so, in coming quarters.

### But Disappointing Holiday Sales

If there is any disappointment in the today’s data release it is that “holiday sales” look to have been weaker than we were anticipating. (We define “holiday sales” as total retail spending less sales at auto dealers, gasoline stations and restaurants.) Indeed, media reports over the past few days indicate that some retailers were disappointed by the holiday shopping season. In the last two months of the year, our measure of “holiday sales” was up 4.1% on a year-ago basis (middle chart). Although weaker than we expected, this growth rate was a marked improvement over the 2.6% growth rate that was registered in 2018. Interestingly, non-store retailers, which includes online sales, did very well in 2019. On a year-over-year basis, sales of non-store retailers were up more than 24% (non-seasonally adjusted) in December. As shown in the bottom chart, non-store retailers now account for the largest share of holiday spending.



## Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Macro Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2020 Wells Fargo Securities, LLC.

### Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE