

U.S. Flash

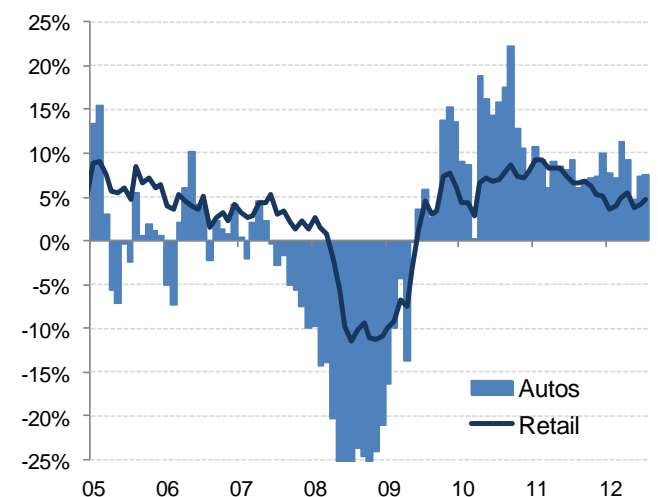
Retail Sales Rise in December as Autos Surprise to the Upside

- **Beating consensus figures, sales rose 0.5% and 0.3% excluding autos**
- **Moderate gains across most categories as holiday season comes to an end**
- **Retail sales end 4Q12 up 4.7% on an annual basis, a slower pace than 2011**

Retail sales surprised the market for December, rising 0.5% despite the consensus calling for only a 0.2% rise on account of fiscal caution and dismal auto surveys. While December is usually a busy month, disappointing unit auto sales and the forthcoming hit on disposable personal income were purported to be a drag on consumer activity. However, the headline figure suggests that auto sales were actually a driving force for the month, up 1.6% following a 2.7% rise in November, though most likely due to a price effect rather than a genuine surge in demand. Excluding autos, the gains are more modest but widespread, with only shoes stores and on-line retailers managing to show more than 2.0% growth for the month. Lower oil prices limited sales at gasoline stations, down 1.65% after November's already sharp loss of 4.5%. In line with the upward trend in sales and consumer activity, sales did show strength excluding both gasoline and autos, though most of this was holiday related and therefore it is unclear whether this momentum can carry over into 2013.

Closing out 2012, retail sales figures point to a slower pace of consumption in the fourth quarter compared to the third, but still relatively strong when considering both political and natural hindrances. Despite Hurricane Sandy and the looming fiscal uncertainty, the retail sector managed to pull off 4.7% annual growth by the end of 2012, though it marks a slight deceleration from 2011. For the coming quarter we expect growth to continue at a modest pace while the fiscal situation plays itself out and consumers adjust financially to the tax hit on their paychecks.

Chart 1
Retail and Auto Sales
YoY % Change



Source: US Census Bureau & BBVA Research

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