

U.S. Flash

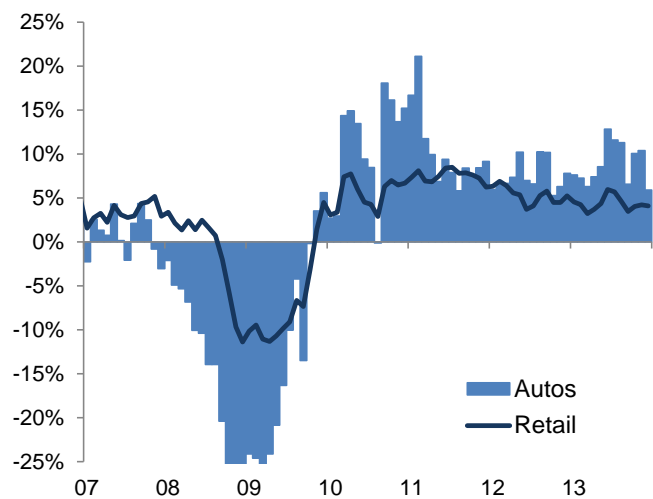
Retail Sales Finish Year Positive, Despite Slowdown in Autos

- Total retail sales rose 0.2% in December, 0.7% excluding auto sales
- Auto sales fell by 1.9% MoM, pulling down the headline retail sales figure
- For the year, retail sales finish up 4.1% from 12 months ago, 3.7% excluding autos

As the holiday season came to a close, retail sales for December increased a modest 0.2%, following a downwardly revised 0.4% gain in November. Auto sales dragged on the headline retail sales figure, falling 1.9% and completely reversing the jump from the prior month. Excluding auto sales, retail sales increased 0.7%, a better indication of economic growth as auto sales are often volatile month-to-month. This monthly pace of growth for core retail sales was the largest since February 2013, an encouraging sign that shoppers were willing to splurge for the holidays in December. Food and beverage sales were up 2.0%, sparked by an increase in grocery sales. Gasoline station sales were up 1.6% MoM in December after falling 1.5% MoM in November, though the nominal figure mostly reflects the uptick in gas prices for the month. Clothing and accessory stores also helped propel the retail sales figure, finishing up a strong 1.8% as consumers accelerated spending just in time for the holidays. Meanwhile, sales of furniture and building materials saw month-to-month declines in December.

Overall, the December retail sales figures come as somewhat of a relief after Friday's dismal employment report appeared to be a slight cause for concern following a series of positive economic data. Last week, the consumer confidence report provided encouragement that consumers were optimistic about the U.S. economy at the end of 2013, so it is certainly comforting to see the reflection in spending habits. Although the jump in spending for December comes with open arms, it will be important to see if consumer spending can continue through the post-holiday season and into the new year. Personal consumption makes up the largest component of GDP by accounting for roughly two-thirds of economic output; thus, continued increases in consumer spending is critical to the economic recovery.

Chart 1
Retail and Auto Sales
YoY % Change



Source: US Census Bureau & BBVA Research

Michael Soni
michael.soni@bbvacompass.com
+1 713 831 7348

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities