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## TD Economics


### Data Release: Retail sales surge during the holiday spending season on autos and gas purchases

- Retail sales surged 0.6% in December according to the advance Census Bureau report. While this was slightly shy of expectations, with the street eyeing a 0.7% rise, upward revisions to November's pace made up for any disappointment. Retail sales for 2016 as a whole rose by 3.0%, an acceleration from 2.3% in 2015, but still well below the 5.1% average advance during the 2010 through 2014 period.
- Sales at motor vehicle & parts dealers (+2.4%) boosted the headline, in line with the swell in unit sales last month, with the ex. auto sales up 0.2% on the month. Gasoline stations sales also helped out, rising by 2.0%. Excluding autos and gas, retail sales were flat on the month – well below the consensus 0.4% expected.
- Excluding gas, autos, building materials (+0.5%), and food services (-0.8%), the so-called 'control group' used in calculating GDP was up just 0.2% on the month – half of what was expected. Sales in the control group were dragged down by miscellaneous (-1.0%), general merchandise (-0.5%) and electronics stores (-0.5%). These were more than offset by gains in non-store and e-commerce retailers (+1.3%), furniture (+0.5%), and health & personal care stores (+0.3%).

### Key Implications

- The robust retail sales gain during December alongside positive revisions to November's figure suggests that Americans were quite upbeat during the key holiday shopping season and increasingly willing to spend some of the windfall resulting from rising incomes and low gas prices. This trend should continue this year as an increasingly tight labor market leads to higher wages and brings more people back into the labor force.
- Having said that, some of the details of the report were less encouraging. All of the spending surge in December came from just two categories – autos and gasoline. Excluding these, the level of sales was virtually unchanged from the previous month on a seasonally-adjusted basis.
- The report suggests that personal consumption expenditures ended last year on a good note, rising by a relatively brisk 2.3% during the four quarter and providing some support for economic growth, which looks to have advanced by just as much. Ultimately, we don't expect this report to materially change the Fed's perceptions of the economic recovery, with the FOMC unlikely to raise its key policy rate until mid-year.

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