



Retail Sales Disappointed in December

Headlines

- **Retail sales were unchanged in December following solid growth in November. This was well below PNC's estimate.**
- Monthly gains were led by building materials and garden equipment stores, sporting goods & hobby stores, gasoline stations, and food and beverage stores.
- **The year earlier growth rate slipped to 2.4% from 3.3% in November.**
- **Growth in control retail sales** – which exclude autos, gasoline, building materials and food services receipts and is used to estimate consumer spending in the GDP report – slipped to -0.1% from 0.2% in November.
- Consumer spending growth is expected to be modest over the near term amid softening job growth, rising joblessness, slower wage growth, and a great deal of policy uncertainty.
- PNC expects the FOMC to lower the fed funds rate by 25 basis points in July and another 25 basis points in September.

Jay Hawkins
jay.hawkins@pnc.com

PNC Economics
economics@pnc.com

Details

The holiday shopping season ended on a weak note. Total retail sales were flat in December following a solid 0.6% increase in November. That was well below PNC's forecast for a 0.6% gain. Ex-auto sales and core sales, which also exclude gasoline stations, were also unchanged.

Month-on-month gains were led by building materials & garden equipment (+1.2%), sporting goods, and hobby stores (+0.4%), gasoline stations (+0.3%) and food and beverage stores (+0.2%). The biggest declines were in furniture and home

furnishing stores (-0.9%), clothing stores (-0.7%) and electronics and appliance stores (-0.4%). Sales at motor vehicles and parts dealers and at health and personal care stores each fell 0.2%. Receipts at restaurants and bars (the only services category in the report) slipped 0.1% after a solid 0.7% upturn in November.

The unchanged reading drove the year ago growth rate down to 2.4% – the slowest pace of growth since September 2024. The biggest annual gains were in health and personal care stores (+6.4%),

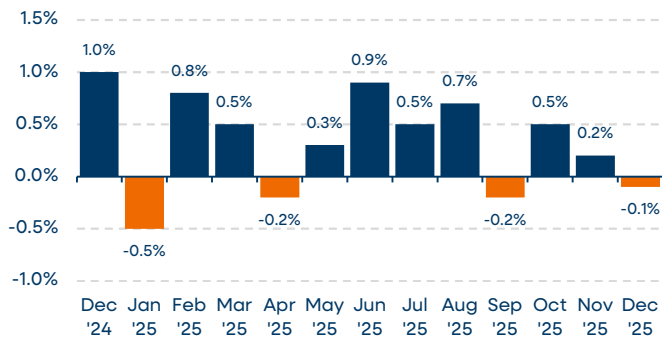


sporting goods & hobby stores (+6.0%), nonstore retailers (+5.3%) and clothing stores (+5.1%). The only segments to drop were furniture & home furnishing stores (-5.6% and the fourth straight decline) and motor vehicles & parts (-1.1%).

Growth in control retail sales – which exclude autos, gasoline, building materials and food services receipts and is used to estimate consumer spending in the GDP report – slipped to -0.1% in December from 0.2% in November and 0.6% in October (Figure 1). Consequently, the year earlier growth rate fell to 3.6%, the smallest annual gain since August 2024.

Consumer spending growth is expected to be modest over the near term amid softening job growth, rising joblessness, slower wage growth, and a great deal of policy uncertainty, especially with regard to trade policy. Accordingly, PNC expects the FOMC to reduce the fed funds rate by 25 basis points in July and another 25 basis points in September, lowering the fed funds rate to a range of 3.00%-3.25%.

Figure 1: Retail Sales Control Group Growth (m/m)



Source: Census



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