

Retail Sales Up in November as Consumers Continue to Spend

- **Retail sales rose 0.3% in November, better than expectations, with a 0.6% gain excluding autos and gasolines.**
- **The strong labor market remains the biggest support to consumer spending.**
- **Sales are expected to decline in the second half of 2024 with a mild recession.**

Retail sales rose 0.3% in November from October, against expectations for a small decline. This followed a 0.2% decline in sales in October, revised lower from a 0.1% drop. Retail sales rose 0.8% in September, revised slightly lower from a 0.9% increase.

Sales excluding autos rose 0.2%, and sales excluding autos and gasoline rose a solid 0.6%. Sales of motor vehicles and parts rose 0.5% in November, while sales at gasoline stations fell 2.9% as gas prices dropped over the month.

Control sales—sales excluding food service, autos, gasoline, and building materials, and which go into nominal consumer goods spending in GDP—rose 0.4% in November, following an increase of less than 0.1% in October.

On a year-over-year basis total retail sales were up 4.1% in November, compared to a 2.2% increase in October. Sales excluding autos and gasoline were up 5.2% in November from one year earlier.

Consumers continue to increase their spending, despite increasing headwinds. The strongest support to sales is the labor market: job growth is solid and wages are rising faster than inflation. Slowing inflation and rising household wealth are also positives for consumers. Households also still have some of the extra savings that they accumulated during the pandemic thanks to stimulus payments and reduced opportunities to spend, but that continues to dwindle.

Although consumer spending continues to rise, the pace of growth is slowing as drags accumulate. These include elevated (albeit slowing) inflation; high interest rates, which will weigh especially on autos, appliance, and housing-related goods; and the need to boost savings. Households will also need less of some goods that they stocked up in the wake of the pandemic.

PNC expects a decline in consumer spending in the second half of 2024 as the U.S. economy enters into a mild recession. High interest rates and modest job losses will cause households to turn more cautious. However, there's still about a 45% probability that the U.S. economy avoids recession and consumer spending growth slows, but does not outright decline.

Results were mixed across segments in November. In addition to gas stations, sales fell for electronics and appliances, building materials, and general merchandise. Sales rose for restaurants, online retailers, specialty and clothing stores, furniture and home furnishings, and grocery stores.

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