

Another Solid Month of Retail Sales Growth in December

- **Retail sales rose 0.4% in December, with strength across segments. Sales were up 3% from a year earlier.**
- **Holiday spending was up almost 3% from 2023, with most of the increase coming from higher volumes.**
- **Consumers remain in good shape entering 2025.**

Retail sales rose 0.4% in December from November, according to the advance release from the Census Bureau. These numbers are seasonally adjusted, accounting for the annual jump in holiday sales; however, they are not adjusted for inflation. Sales growth was 0.8% in November (revised up from 0.7%) and 0.6% in October (revised up from 0.5%). Retail sales have risen for four straight months.

Sales excluding autos increased 0.4% in December, with sales excluding autos and gasoline up 0.3%. Control retail sales—sales excluding autos, gasoline, food service, and building materials, and which go into nominal consumer spending in GDP—were up a strong 0.7% in December.

On a year-ago basis overall retail sales increased 3.0% in December, with control retail sales up more than 4%. GAFO, which is merchandise typically sold at department stores and is a good measure of holiday sales, was up 2.7% in November and December from the same period in 2023, indicating solid gains in holiday spending. Given that goods prices are generally down over the past year, most of the increase came from higher volumes, not higher prices, an indication of consumer strength.

The December retail sales report was solid, with good gains in consumer spending across most segments. Retail sales have been steadily increasing over the past few years, and the pace of growth has picked up in the second half of 2024. The fundamentals for consumer spending growth are generally positive: good job gains, wages that are increasing faster than prices, and slowing inflation. For upper-income households rising stock prices and home values are boosting wealth and spending. But there are some constraints, including high interest rates; rising, albeit still low, consumer loan delinquency rates; the cumulative hit from high inflation in 2021 through 2023, particularly for lower- and middle-income households; and the need of some households to increase their saving. PNC expects solid but slower growth in retail sales in 2025.

Sales of motor vehicles and parts were up 0.7% in December, with sales at gasoline stations up 1.5% with higher gas prices. There were monthly gains of better than 1% for furniture and home furnishings, clothing and accessory stores, and sporting goods and hobby stores. Food and beverage sales rose 0.8%, sales for electronics and appliances were up 0.8%, and general merchandise sales rose 0.3%. Nonstore sales, primarily online, rose 0.2% over the month. There was a small decline of 0.3% for restaurants and bars, but that was the

first drop since March. Sales of building materials fell 2.0% in December; they have fallen for three straight months with the weak housing market.

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