

Another Big Jump in Retail Sales in November as Consumers Continue to Spend

- **Retail sales jumped 0.7% in November, the third straight month of solid gains. Much of the gain came from autos, but core retail sales were up 0.2% for the month.**
- **Sales were up almost 4% year-over-year, with most of the increase coming from higher volumes.**
- **This holiday sales season should be a good one, with sales up around 5%.**
- **The fundamentals for consumer spending are positive entering 2025, particularly the labor market. There are risks to both the upside and the downside with the incoming Trump administration.**
- **Sales were mixed across segments; some of the softness came from weaker pricing power.**

Retail sales increased 0.7% in November from October, according to the advance estimate from the Census Bureau. Retail sales have increased for three straight months; they were up 0.5% in October (revised up from 0.4% growth) and 0.9% in September (revised up from 0.8%). Much of the growth came from strong auto sales; sales excluding autos were up 0.2% over the month, as were sales excluding autos and gasoline (core retail sales). Control retail sales—sales excluding autos, gasoline, food service, and building materials, and which go into consumer spending goods in GDP—were up 0.4% in November, after falling 0.1% in October.

On a year-ago basis overall retail sales were up a strong 3.8%. Core retail sales were up 3.9% year-over-year in November, with control retail sales up 4.4%. With essentially no goods inflation over the past year all of the increase is coming from higher volumes, not higher prices.

Consumers continue to spend in late 2024. Although much of the gain came from motor vehicles, spending was up modestly in other categories. The drivers of household spending remain good: jobs continue to rise, wages are going up more quickly than prices, household wealth is rising thanks to a strong stock market and increasing home values, and interest rates are finally moving lower. It could also be that some households increased their spending after the election.

This holiday season is shaping up to be another good one for retailers. With a solid job market, good wage growth, and slowing inflation, consumers have money to spend. PNC expects holiday sales to increase about 5% from 2023. With goods prices down slightly over the past year, all of that gain is going to come from higher volumes. E-commerce holiday sales will be up by 9% this year, compared to less than 3% growth for traditional brick-and-mortar retail.

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Retail sales will continue to increase in 2025 as the labor market remains solid and inflation continues to slow. One potential stumbling block would be tariffs, which would raise goods prices and perhaps lead consumers to pull back somewhat.

Motor vehicle and parts sales jumped 2.6% over the month. There are anecdotal reports of purchases of electric vehicles ahead of a potential withdrawal of incentives under the Trump administration. Sales at gasoline stations were up a modest 0.1%. Food service (bar and restaurant) sales fell 0.4% in November. Food service sales often provide insight into consumers' discretionary purchases, but the drop is not a particular concern given that these sales had risen in each of the previous seven months.

Sales across other segments were mixed. There was a large 1.8% monthly jump in sales at nonstore retailers, primarily online sales. Sales were up 0.9% for specialty stores, like sporting goods and music. There were moderate increases (0.3% to 0.4%) in purchases of home-related items like furnishings, appliances, and electronics, suggesting some potential strength in the housing market. Sales were down slightly at clothing stores and grocery stores (both down 0.2%); this likely reflects falling prices, not weaker demand. Sales at general merchandise stores fell 0.1% on the month.

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