

United States

Retail sales show strongest underlying growth trend for one-and-a-half years

- Retail sales beat expectations in December
- Core sales show strongest upward trend for one-and-a-half years
- Data add to signs of robust GDP growth in Q2

Stronger than expected retail sales in December add to business survey evidence to suggest that the US economy maintained a robust pace of economic growth and job creation at the end of last year.

Retail sales rose 0.2% in December, slightly above analysts' expectations of a 0.1% increase. The data are especially encouraging in respect of the US recovery, given the adverse weather seen in parts of the country during the month.

Over the latest three months, sales were 1.0% higher than the previous three months, suggesting the consumer helped drive an ongoing recovery of the economy in the fourth quarter.

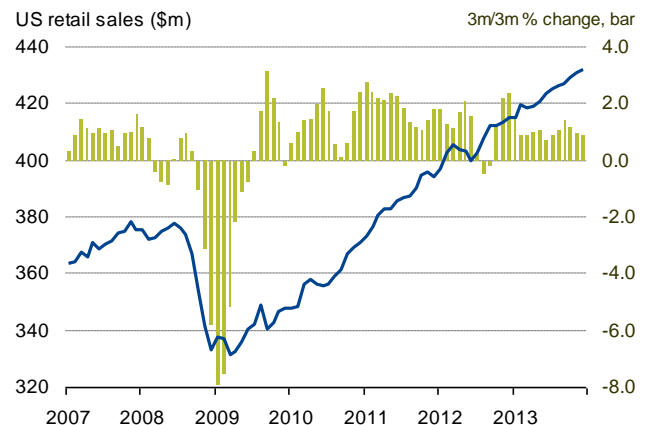
Core sales, which exclude building materials, autos and gasoline sales, rose 0.7% during the month, pushing the three-month rate of increase up to 1.6%, its highest since May 2012. This core three-month rate has increased steadily since hitting a low of 0.6% back in June of last year, pointing to a steady upward trend in sales growth.

However, the resilience of retail sales may in part have been due to heavy discounting, as retailers sacrificed profit margins for the sake of sales volumes.

Nevertheless, the data add to other indicators, including Markit's PMI surveys of manufacturing and non-retail services, which indicate that the US economy ended 2013 on a firm footing. While GDP growth may have slowed from the annualised 4.1% pace seen in the third quarter, growth is likely to have remained well above 3%.

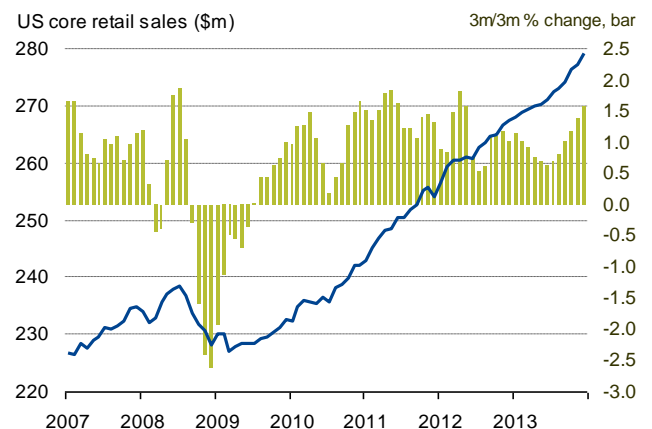
The data available so far for December also suggest that the disappointing non-farm payroll numbers for the month, which showed a far-weaker than expected 74,000 rise, merely represent a statistical quirk rather than the start of a renewed downturn in the employment data.

Retail sales



Source: Ecwin in.

Core retail sales



Source: Ecwin in.

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