Daiwa Capital Markets

U.S. Data Review

- Retail sales: solid discretionary (holiday-related) spending in December
- Unemployment claims: pickup in initial claims not worrisome

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Retail Sales

Retail Sales -- Monthly Percent Change

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Total	-0.1	0.9	0.6	0.8	0.4
Ex.-Autos	-0.1	1.0	0.2	0.2	0.4
Ex.-Autos, Ex.-Gas	0.0	1.2	0.2	0.2	0.3
Retail Control*	-0.2	1.3	0.0	0.4	0.7
Autos	-0.3	0.6	2.2	3.1	0.7
Gasoline	-0.9	-1.4	0.2	0.2	1.5
Clothing	-0.9	0.8	1.1	-0.8	1.5
General Merchandise	-0.3	0.7	0.1	0.0	0.3
Nonstore**	0.0	2.1	0.0	1.7	0.2

** Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.*

*** Primarily online and catalog sales; also includes sales by fuel-oil dealers.*

Source: U.S. Census Bureau via Haver Analytics

- Retail sales rose 0.4 percent in December (+3.9 percent year-over-year), lighter than the Bloomberg median projection of a gain of 0.6 percent. Although the headline result fell short of expectations, the internals of the report were generally favorable. On the point, the retail control group, which informs goods outlays in the consumer spending component GDP, was firm (+0.7 percent versus an expected increase of 0.4 percent; +4.1 percent year-over-year). Moreover, the results for the past three months combined suggest that real consumer outlays were favorable in Q4 after a strong performance in Q3.

- Sales at gasoline stations were among the softer areas of the report after accounting for price effects. Nominal sales rose 1.5 percent in December (-1.2 percent year-over-year), although adjusting sales by the gasoline component of the CPI suggested that real consumption fell approximately 2.8 percent.

- Sales at motor vehicle and parts dealers increased 0.7 percent (+8.4 percent year-over-year). The latest pickup was the fourth consecutive advance, which included jumps of 3.1 percent in November and 2.2 percent in the prior month. Moreover, the recent advances appear to represent gains in real activity, with the new vehicle component of the CPI averaging increases of 0.3 percent over that four-month span, inclusive of a pickup of 0.5 percent in December.

- Sales excluding autos and gas recorded a pickup of 0.3 percent versus the consensus expectation of 0.4 percent (+3.3 percent year-over-year), but many areas were firm. On the soft side, activity at building materials stores dropped 2.0 percent, the third consecutive decline. In contrast, sales at sporting goods stores jumped 2.6 percent and activity at clothing stores advanced 1.5 percent. Transactions at nonstore retailers (mostly online) were light (+0.2 percent), but the modest increase followed brisk activity in the prior month (+1.7 percent). The results suggest that consumers pulled forward holiday-related online shopping, possibly in response to sales, but did not cut back on expenditures.

- As noted above, the performance in the retail control group (sales ex. autos, building supplies, and gasoline stations) over the past three months is consistent with a favorable pace of real consumer spending in Q4. Currently, we look for real consumer spending in the GDP accounts to increase in a range of 2.8 to 3.0 percent (annual rate) when Q4 GDP growth is reported on January 30 – consistent with overall GDP growth of 1.8 percent. The performance would come on the heels of real consumer outlays of 3.7 percent in Q3, a strong performance contributing to already reported GDP growth of 3.1 percent. Moreover, consumer fundamentals in early 2025 remain on solid footing: unemployment remains low on a long-term basis, balance sheets are strong in the aggregate, and debt burdens are manageable. Thus, spending may ease from the current pace but appears unlikely to collapse in the near term.

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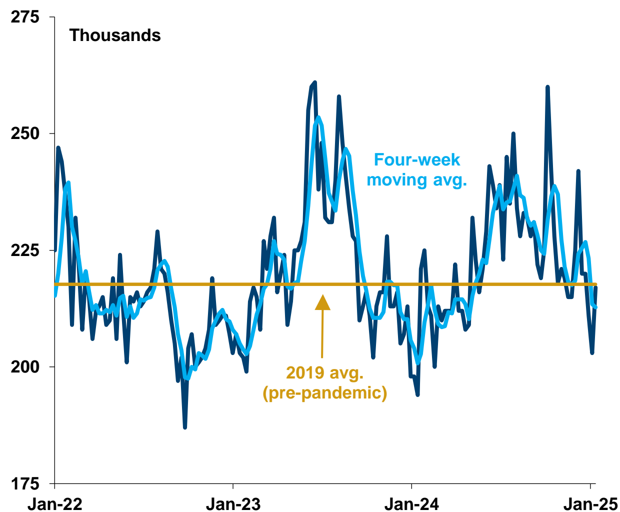
Unemployment Claims

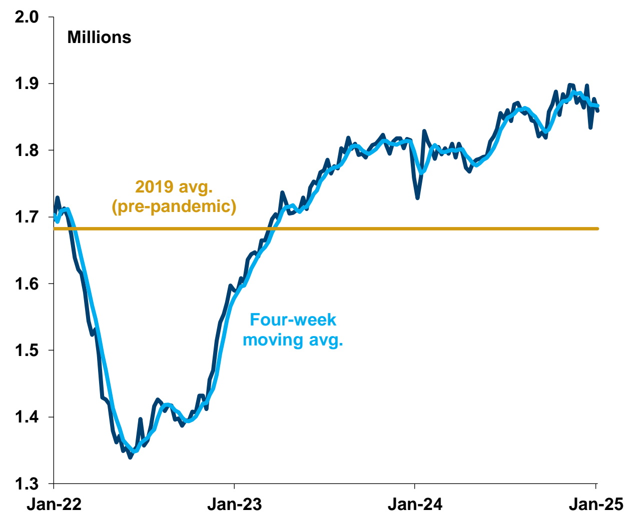
- Initial claims for unemployment insurance rose 14,000 to 217,000 in the week ending January 11, reversing a portion of the decline seen in the prior two weeks. Claims have exhibited a fair amount of volatility since early December on account of post-holiday seasonality that typically occurs around the turn of the year (range of 203,000 to 242,000 over the past six weeks). Additionally, weather-related disruptions in the Midwest may have influenced claims (for example, initial claims in Michigan jumped 15,175, not seasonally adjusted). With these potential factors in mind, the four-week moving average, a measure used to smooth out short-term fluctuations seen in claims, dipped by 750 to 212,750 (chart, below left). The latest shift left filings just a hair below the 2019 pre-pandemic average of 218,000, a period often characterized by Fed officials as indicative of a healthy labor market.
- Continuing claims, on the other hand, fell 18,000 to 1.859 million in the week ending January 4 (associated with a decline of 1,250 to 1.867 million for the four-week moving average; chart, below right). While claims have hovered around the mid-1.800 million area since the fall of last year, they have tilted higher on balance since the beginning of 2024 and are only 39,000 off the cycle peak 1.898 million in the week of November 9. That said, we view the current level of continuing claims as consistent with an ongoing recalibration of a previously tight job market.

Initial Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics

Continuing Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics