



Economics Group

Eugenio J. Alemán, Senior Economist
eugenio.j.aleman@wellsfargo.com • (704) 410-3273
Michael A. Brown, Economist
michael.a.brown@wellsfargo.com • (704) 410-3278

A Disappointing Year For Holiday Sales

Retail sales dropped 0.1 percent in December to end a very disappointing year for the sector. Once again, gasoline sales put downward pressure on overall retail numbers by slipping 1.1 percent in December.

Weak Year For Retail

Although it is true that gasoline sales continued to put downward pressure on the retail sales number, a consequence of the plunge in gasoline prices, the overall result for this important indicator for consumer demand was disappointing overall. Retail sales were up only 2.2 percent on a year-earlier basis, compared to an increase of 3.5 percent during the whole of 2014. Gasoline sales were down 1.1 percent in December and plunged 14.6 percent versus December of 2014.

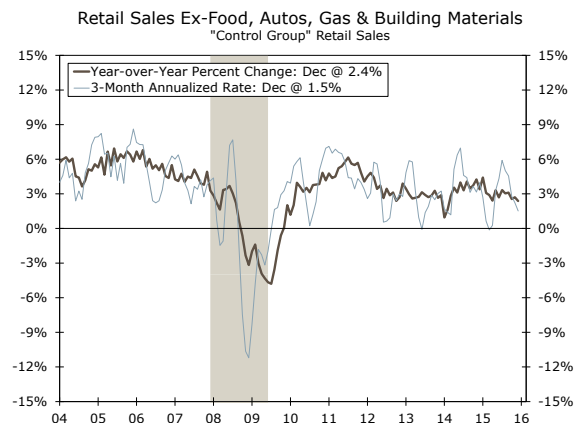
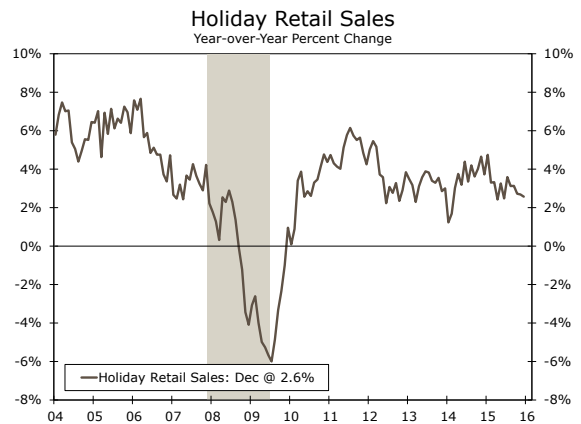
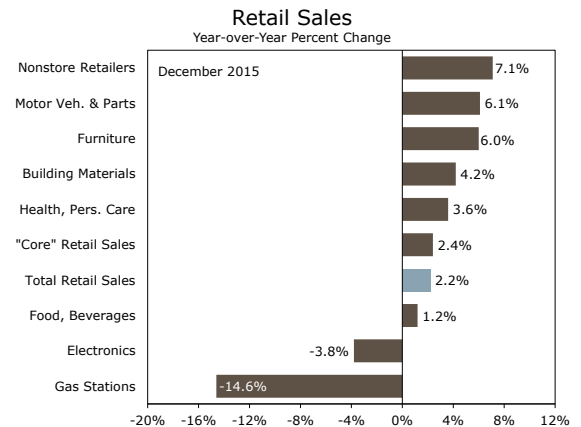
Once again, automobile sales were in the driver seat of retail sales during the year, even if those sales slowed down to a trickle by the end of 2015 recording no change for December. However, on a year-earlier basis, motor vehicle and parts dealers' sales were up 6.1 percent, the fourth strongest sector during the year.

The strongest sectors of retail during the year were sporting goods, hobby, book and music store sales increasing 0.9 versus November and 7.6 percent versus December 2014. Meanwhile, non-store retailers inched up 0.3 percent in the month and were up 7.1 percent versus 2014. Once again food services and drinking places sales continued to surge as has been the case since the end of the recession. The sector posted another very strong year, increasing 6.7 percent on a year-over-year basis. Another solid sector during the year was housing-related goods sales. Furniture and home furnishing store sales rose a strong 6.0 percent from its year-ago level and increased 0.9 percent in December. Building material, garden equipment and supplies sales were also up 0.7 percent in December and 4.2 versus a year earlier.

Perhaps the best news in this release was that the November retail sales performance was revised up from 0.2 percent 0.4 percent. However, the revision did little to change the tone of a weak fourth quarter for consumer spending.

Control Group Sales and Holiday Sales

According to the report, Holiday Sales were up 2.6 percent versus our estimate of 3.4 percent. Meanwhile, control group sales, which feed directly into the calculation of GDP, also disappointed at the end of the year. Control group retail sales dropped 0.3 percent in the month compared to an expectation of a 0.3 percent increase and November's growth was downgraded to 0.5 percent versus the originally reported 0.6 percent. With this result, it is clear that consumer demand ended the year on a weak note and thus we should expect that there would be downward revisions to personal consumption growth for the last quarter of the year. The question that remains is: where are Americans putting the stash of cash saved by low gasoline prices?



Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Anika R. Khan	Senior Economist	(704) 410-3271	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Erik Nelson	Economic Analyst	(704) 410-3267	erik.f.nelson@wellsfargo.com
Alex Moehring	Economic Analyst	(704) 410-3247	alex.v.moehring@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC. and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2016 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. The content of this report has been approved by WFSIL a regulated person under the Act. For purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

