

December 2018 Retail Sales and Producer Prices, Feb. UI Claims

Retail Sales Slump at Year End

- Retail Sales decreased by 1.2 percent in December, weighed down by low gasoline prices.
- The Producer Price Index for Final Demand dipped by 0.1 percent in January.
- Initial Claims for Unemployment Insurance increased by 4,000, to hit 239,000 for the week ending Feb. 9.

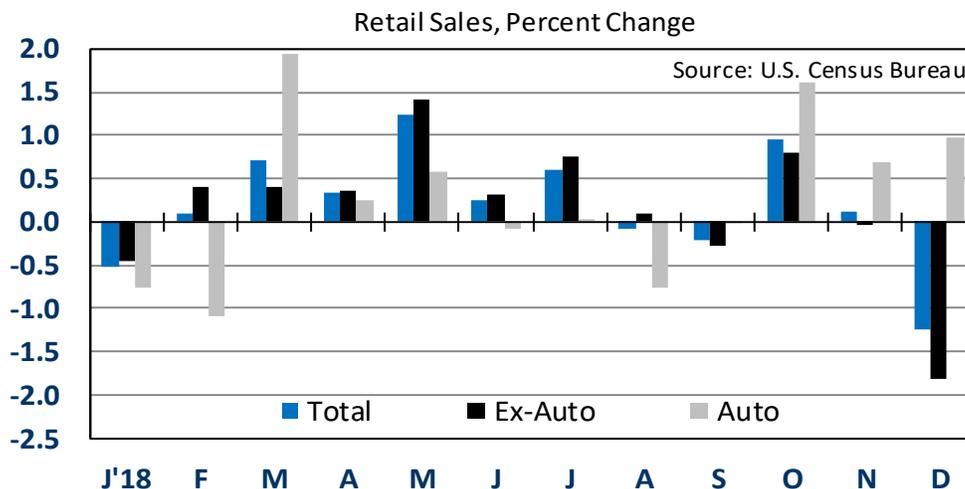
Headline retail sales were weaker than expected in December, falling by 1.2 percent. Lower gasoline prices were a factor, but sales fell in other categories besides just service stations. Service station sales dropped by a hefty 5.1 percent in December as gasoline prices fell to near \$2 per gallon in some areas. Auto sales were a bright spot for the month. Unit auto sales increased from a 17.4 million unit rate in November, to 17.6 in December. The nominal value of retail auto and parts sales for December was up by 1.0 percent. Excluding autos and service stations, retail sales dropped by 1.4 percent in December, showing broad-based weakness that may have been related to the partial federal government shutdown that began on December 22. Consumer confidence fell sharply in December, also likely impacted by the government shutdown. Furniture stores sales were down by 1.3 percent in December. Health and personal care store sales dropped by 2.0 percent. General merchandise store sales fell by 0.9 percent. January may have been another soft month for retail sales given the record-setting length of the government shutdown and severe weather in many parts of the country. Consumer confidence continued to fall through January.

The Producer Price Index for Final Demand fell marginally, by 0.1 percent, in January. Energy prices were down by 3.8 percent at the producer level. Wholesale food prices were down by 1.7 percent for the month. Excluding food, energy and trade, the core PPI for Final Demand was up by 0.2 percent in January, supported by gains in prices for services. Over the 12 months ending in January, the PPI for Final Demand was up by 2.0 percent, while core PPI was up by 2.6 percent. Overall producer prices are being held in check by food and energy goods, but prices for services have shown stronger gains from September through January. We expect energy prices to shift from a drag in January, to a push in February.

Initial claims for unemployment insurance increased by 4,000 for the week ending February 9, to hit 239,000. The trend for initial claims has been choppy but up slightly since the September low. Continuing claims increased by 37,000 for the week ending February 2, to hit 1,773,000. This is still a very low number, but it is also trending up slightly.

Market Reaction: Equity markets opened with losses. The 10-year Treasury yield is down to 2.64 percent. NYMEX crude oil is down to \$53.51/barrel. Natural gas futures are up to \$2.63/mmbtu.

Sales Down in December as Consumer Confidence Slides



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