HIGHLIGHTS

- Retail sales rose 0.5% in December after going up 0.4% in November.
- Auto sales increased 1.6% after November’s 2.7% jump. Excluding autos, sales grew 0.3% after edging down 0.1%.
- Falling prices at the pump once again took the value of sales at service stations down; they contracted 1.6% after dropping 4.5% in November. Excluding autos and gas, sales rose 0.6% in December, as they did the month before.
- Most types of retailers posted gains in December. Besides automobiles, the strongest increases were seen in furniture stores, pharmacies, restaurants and clothing stores. Electronics stores posted a drop in sales.

COMMENTS

Household consumption held up well in December, despite deteriorating consumer confidence, fuelled by fears about the fiscal cliff. This is even more remarkable as anecdotal information about holiday sales had cast some doubts on their strength. Except for the electronics sector, there does not seem to have been much pullback following November’s post-Thanksgiving sales.

The auto sector’s performance is astonishing, as the number of new vehicles sold had ticked down 1.0% according to the data released at the beginning of the month. It seems that a price or brand effect supported auto sales, which added 0.2 percentage points to total sales growth. They had been expected to make a negative contribution.

Implications: December’s increase in retail sales augurs well for overall household spending. We can therefore expect real consumption to grow by about 2.0% (annualized) in Q4 2012. We will have to wait and see, however, whether the last-minute agreement concerning the fiscal cliff will have any substantial impact on January’s sales. Increases to the payroll tax and taxes for the highest income levels are added demands on personal income which, combined with the uncertainty that has not yet entirely dissipated, could hinder growth in early 2013.

Francis Généreux
Senior Economist