

Economic Analysis

# Weekly Focus: Retail Sales & Consumer Credit

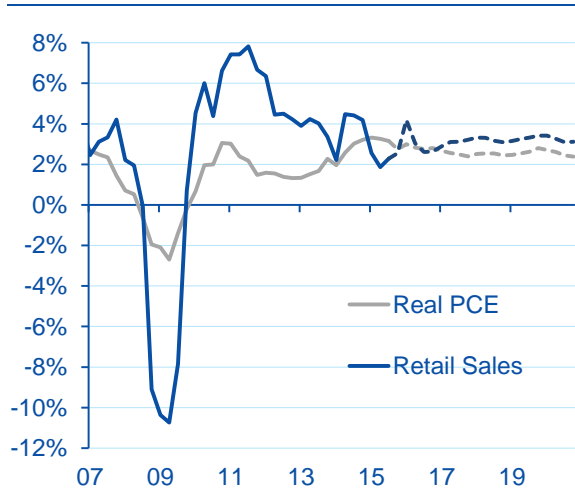
Kim Chase

## November’s Consumer Data Will Give First Look at Holiday Shopping Strength

All eyes are on consumer spending reports for November to confirm expectations that domestic demand remains robust. Although there is a lot of focus on Black Friday, data in the past few years have indicated that sales are not as concentrated in one particular month as a result of extended promotions and increased online shopping. In fact, e-commerce has been steadily gaining at about a 15% YoY pace – much faster than the modest 2% growth seen for total retail sales. There has also been a growing gap between retail sales and personal consumption expenditures, with the latter increasing at a much faster rate. In level terms, retail sales have basically been flat since June – the longest no-growth period throughout the recovery thus far. However, we do expect to see a rebound in retail sales growth as it compares to personal consumption, bringing the series back to more “normal” historical trends. **November’s retail sales (Friday)** are expected to see a relatively healthy monthly gain, though the nominal figure will face some pressures from low inflation and deep holiday discounts from retailers.

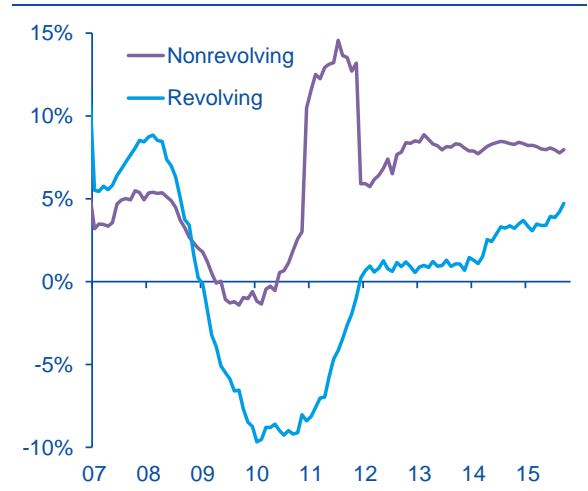
At the same time, consumers have been taking on additional debt in order to fuel these shopping sprees. In September, total outstanding consumer credit increased \$28.9bn, the largest monthly gain ever recorded for the series. Revolving credit, the component that monitors credit card spending, has been on the rise since February, reflecting stronger confidence among consumers. **Consumer credit for October (Monday)** is expected to show another strong month of consumer activity, with more focus on the revolving side as the true signal for holiday shopping happiness.

Graph 1  
**Retail Sales & Personal Consumption (YoY % Change)**



Source: BEA, Census, & BBVA Research

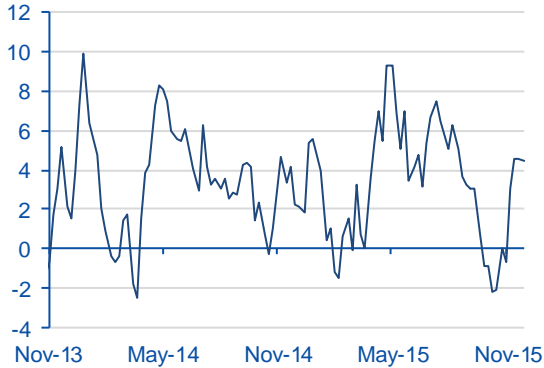
Graph 2  
**Outstanding Consumer Credit (YoY % Change)**



Source: FRB & BBVA Research

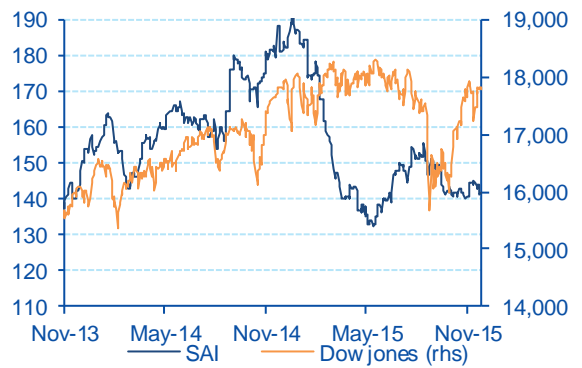
**Economic Trends**

Graph 3  
**BBVA USA Weekly Activity Index (3 month % change)**



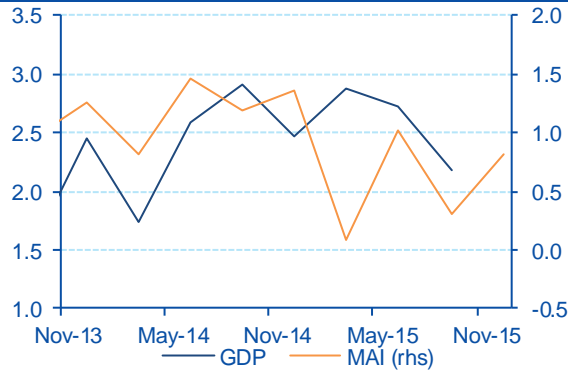
Source: BBVA Research

Graph 4  
**BBVA USA Surprise Activity Index & Dow Jones (Index 2009=100 & eop)**



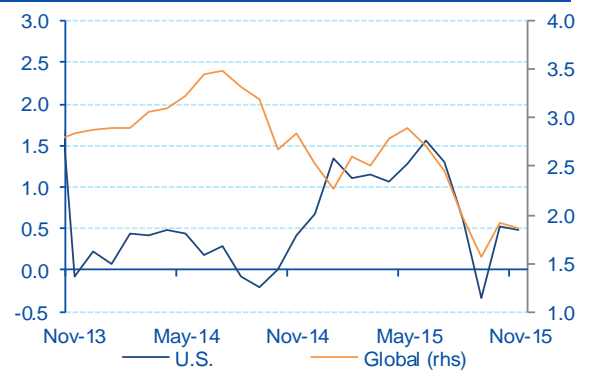
Source: Bloomberg & BBVA Research

Graph 5  
**BBVA USA Monthly Activity Index & Real GDP (4Q % change)**



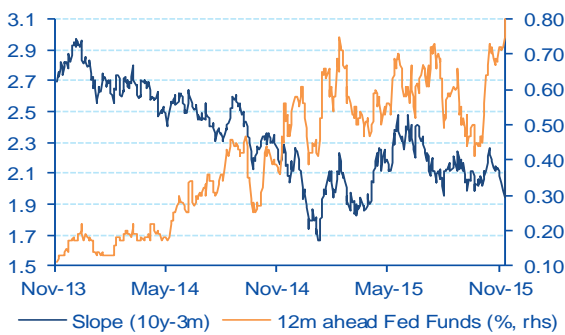
Source: BBVA Research & BEA

Graph 6  
**BBVA USA Risk Index (> 0 = increasing risk)**



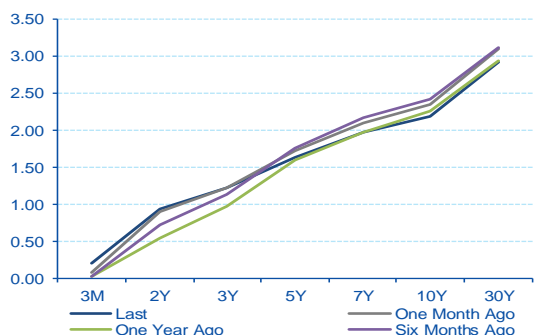
Source: BBVA Research

Graph 7  
**Fed Futures & Yield Curve Slope (% & 10year-3month)**



Source: Haver Analytics & BBVA Research

Graph 8  
**U.S. Treasury Yield Curve (% p.a.)**



Source: Haver Analytics & BBVA Research

## Week Ahead Economic Calendar

Date	Event	Period	BBVA	Consensus	Previous
7-Dec	Federal Reserve Consumer Credit Total Net Change SA	OCT	23.10	17.50	28.92
8-Dec	NFIB Small Business Optimism Index	NOV	96.50	-	96.10
8-Dec	US Job Openings By Industry Total SA	OCT	5495.00	-	5526.00
9-Dec	Merchant Wholesalers Inventories Total Monthly % Change	OCT	0.30	0.00	0.50
10-Dec	US Initial Jobless Claims SA	4-Dec	271.00	268.00	260.00
10-Dec	US Continuing Jobless Claims SA	28-Nov	2180.00	2190.00	2207.00
10-Dec	US Import Price Index by End Use All MoM NSA	NOV	-0.70	-0.70	-0.50
11-Dec	Adjusted Retail & Food Services Sales SA Total Monthly % Change	NOV	0.50	0.30	0.10
11-Dec	Adjusted Retail Sales Less Autos and Gas Stations SA MoM Percent Change	NOV	0.60	0.00	0.30
11-Dec	US PPI Final Demand MoM SA	NOV	-0.40	0.00	-0.40
11-Dec	US PPI Final Demand Less Foods and Energy MoM SA	NOV	-0.10	0.10	-0.30
11-Dec	University of Michigan Consumer Sentiment Index	DEC P	92.70	92.20	91.30
11-Dec	US Manufacturing & Trade Inventories Total MoM SA	OCT	0.30	0.10	0.30

## Economic Outlook

	2015			2016	2014	2015	2016	2017
	2Q	3Q	4Q	1Q				
Real GDP (% SAAR)	3.9	2.1	<b>2.6</b>	<b>1.9</b>	2.4	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>
CPI (YoY %)	0.0	0.1	<b>0.9</b>	<b>2.2</b>	1.6	<b>0.2</b>	<b>1.8</b>	<b>1.9</b>
CPI Core (YoY %)	1.8	1.8	<b>1.9</b>	<b>1.9</b>	1.7	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>
Unemployment Rate (%)	5.4	5.2	<b>5.0</b>	<b>5.0</b>	6.2	<b>5.3</b>	<b>4.9</b>	<b>4.6</b>
Fed Target Rate (eop, %)	0.25	0.25	<b>0.50</b>	<b>0.50</b>	0.25	<b>0.50</b>	<b>1.00</b>	<b>2.00</b>
10Yr Treasury (eop, % Yield)	2.36	2.17	<b>2.33</b>	<b>2.43</b>	2.21	<b>2.33</b>	<b>2.51</b>	<b>3.21</b>
US Dollar/ Euro (eop)	1.12	1.12	<b>1.07</b>	<b>1.08</b>	1.23	<b>1.07</b>	<b>1.13</b>	<b>1.16</b>
Core Logic Home Prices (YoY %)	5.09	5.10	<b>7.48</b>	<b>7.71</b>	7.68	<b>5.65</b>	<b>4.80</b>	<b>2.45</b>

## Fun Fact

China is currently the world's largest market for elevators, with sales hitting 600,000 units in 2014 – more than two-thirds of total global sales. (Bloomberg, December 2015)

## Recent Publications

[Texas Economy Parries Oil Price Blow, Looking to Avoid Knockout from Abroad](#) (December 4, 2015)

[Solid Jobs Data Puts December Liftoff in Sight](#) (December 4, 2015)

[FDIC Quarterly Banking Profile 2015 Q3](#) (November 26, 2015)

[Digitization and Productivity: Where is the Growth?](#) (November 25, 2015)

[U.S. Real GDP Growth Nowcast: 2.66% for 4Q15](#) (November 25, 2015)

[3Q15 GDP Revised Upward from 1.5% to 2.1%](#) (November 24, 2015)

[Senior Loan Officer Survey 2015 Q4](#) (November 21, 2015)

[Technology and Trust: How the Sharing Economy is Changing Consumer Behavior](#) (November 19, 2015)

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