

Retail Sales, Initial Claims, PPI: Strong

by Pierre Ellis

November retail sales meet expectations, rising 0.3% in total (Consensus: +0.4%; Decision Economics: +0.1%) and holding steady ex autos (Consensus: unch; Decision Economics: -0.4%), with revisions minimal. But, compositionwise the report is probably stronger than expected, with the ex-autos, gasoline, and building materials total up 0.6%--with solid, or large, increases in most discretionary categories.

Thinking on the fundamental strength of the consumer trend will notch up a bit, a good thing for the outlook--though Q4 GDP forecasts will be adjusted only cautiously, with many pieces still in play.

Initial claims give an indication of strength too, dropping by a more than expected 29,000 (Consensus: unch; Decision Economics: -5,000) from a prior-week number revised up by 2,000. No problems with the data were highlighted by Labor Department analysts. The result takes the level of claims back to the lower end of the range prevailing before the hurricane--hinting that there has been a net improvement in the labor market since then. Continuing claims reinforce the message, dropping by 23,000.

The core PPI comes in on the low side, rising 0.1% (Consensus: +0.2%; Decision Economics: +0.1%), with no apparent special factors operating. Clearly, there is no nudge here to FOMC expectations of low and stable inflation.