

NRF[®] MONTHLY ECONOMIC REVIEW

Economic Data & Trends for the Retail Industry

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**The data for this report is released on a rolling schedule. The presented numbers are current as of publication and are subject to revision.*

SYNOPSIS

Election Outcome Carries Change and Uncertainty but Consumer Fundamentals Appear to be Sound

U.S. voters witnessed an unusual election with the surprise victory of Donald Trump earlier this month, and significant uncertainties about the future of public policy and the economic outlook remain.

There is no easy way to measure the impact of Trump's policy proposals on consumers with the limited details available so far, and their exact effect is truly only a speculative exercise at this point. The president-elect is opposed to the Trans-Pacific Partnership trade agreement, says he will impose large tariffs on imports from China and wants to tear up the North American Free Trade Agreement. All of those moves could drive up the price of the imported goods retailers rely on. On the positive side, he supports comprehensive tax reform and has promised to rebuild crumbling infrastructure that currently creates bottlenecks for the retail supply chain. The trade proposals notwithstanding, Trump's initiatives appear to have the capability to generate a stronger rate of gross domestic product growth, a faster pace of inflation and a higher level of interest rates.

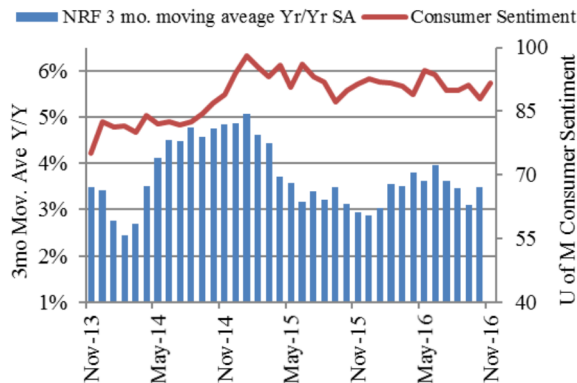
Meanwhile, there is general uncertainty about what these changes could mean for debt and deficits. It will take some unusual craftsmanship to negotiate keeping deficits in check. NRF is leaving its near-term forecast for the economy to expand around 2 percent in the second half of the year unchanged since time will be needed to formulate new policies and to move them through the congressional process. The impact of these policy changes won't be understood until much later in 2017.

It is unclear how consumers will respond to changes to economic policy. The true impact will not be known until hard data on consumer spending and retail sales are released in the coming months. However, consumers are the driving force of the economy and consumer fundamentals appear to be sound. Favorable spending is expected as a result of favorable job and wage growth and gains in household balance sheets.

October's strong sales and September's upward revisions show that consumer spending improved despite the headwinds from the polarizing election and warmer-than-normal weather. Housing surged in October as single-family starts rose to their highest level since October 2007. Consumer prices have accelerated moderately but consumers are still seeing minimal increases, if any, in the purchase of retail goods. All in all, recent data is generally positive and consistent with the assessment that fundamentals are generating an uplift and positioning consumers and retailers for a healthy holiday season.

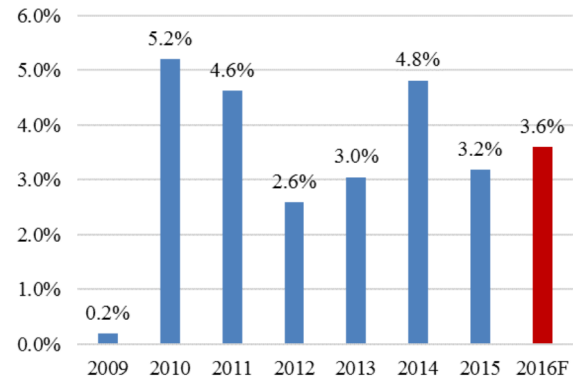
CONSUMER SENTIMENT

October retail sales ramped up with a three-month year-over-year gain of 3.5 percent. Preliminary consumer sentiment showed a rebound after the high-pressure campaign.



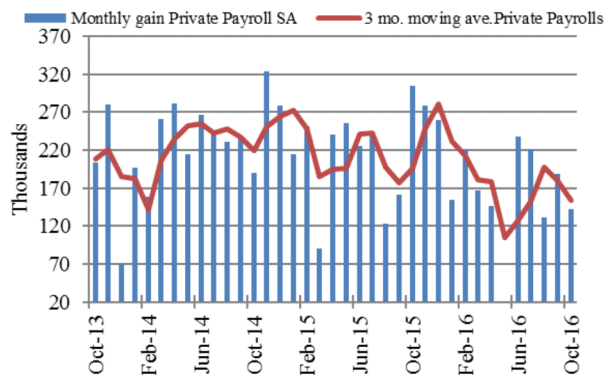
HOLIDAY SALES

October's strong sales and September's upward revisions were a positive kickoff for the holiday season, which NRF forecasts will grow a healthy 3.6 percent over last year.



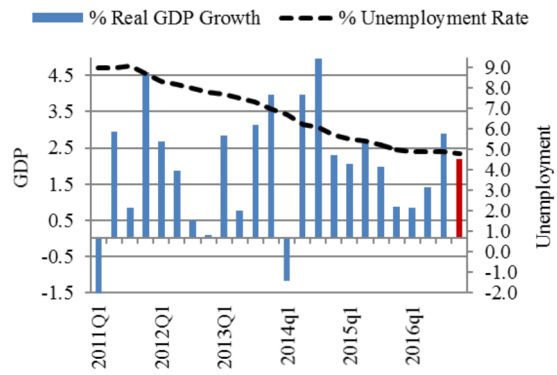
PAYROLL

Private payrolls were up an average of 154,000 jobs in October but were still solid even though employment was affected adversely by weather.



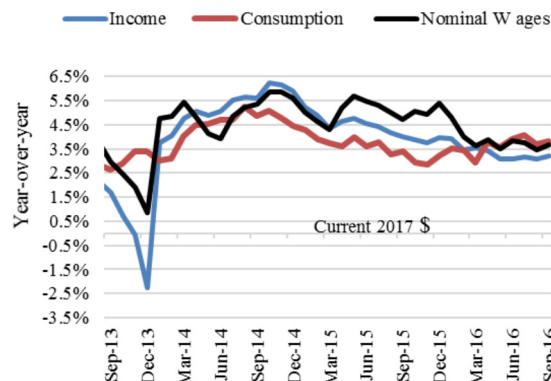
GDP & UNEMPLOYMENT

After a weak first half of 2016, third-quarter GDP growth increased to 2.9 percent. The rebound should help contribute growth of 2 percent or more in the fourth quarter and less unemployment.



INCOME & CONSUMPTION

It has been a roller coaster ride but personal income continues to support consumer spending. Meanwhile, wages are beginning to pick up and should help bolster spending.

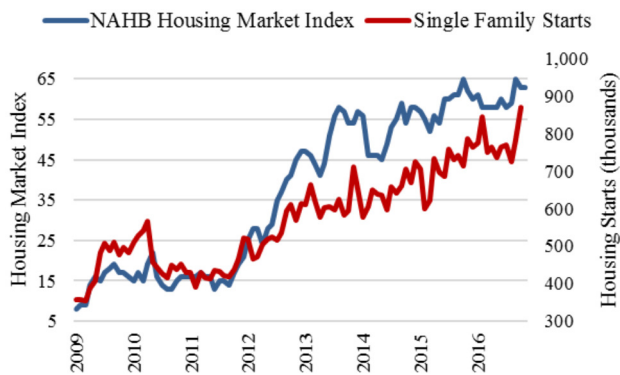


JOB OPENINGS

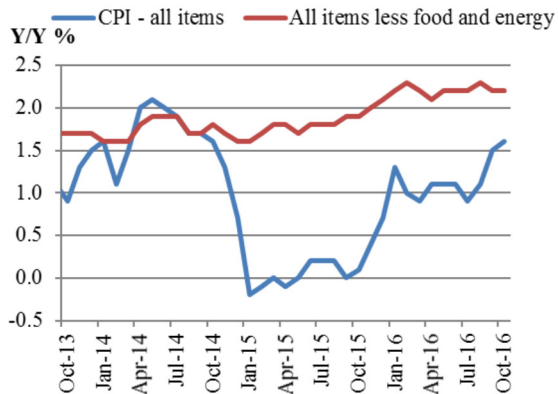
More than 630,000 retail openings were available in September and firms hired 771,000 positions. Retail openings and hires continued to set monthly historic highs.



While housing activity tends to taper off at this time of year, single-family starts rose to the highest level since October 2007. Housing activity remains on solid footing.



October's all-items Consumer Price Index was in line with previous gains in September and August and strengthens the case for a Fed rate hike in December.



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