

U.S. Data Review

- Retail sales: pulled lower in part by autos and gasoline

Lawrence Werther

lawrence.werther@us.daiwacm.com
+1-212-612-6393

Brendan Stuart

brendan.stuart@us.daiwacm.com
+1-212-612-6172

Retail Sales

- Retail sales fell 0.9 percent in May, a softer result than the Bloomberg median expectation of a decline of 0.6 percent (+3.3 percent year-over-year). Activity at motor vehicle and parts dealers dropped 3.5 percent – the second consecutive decline after front-running of tariffs likely boosted activity in March. Similarly, sales excluding autos also were soft (-0.3 percent versus +0.2 percent expected; +3.5 percent year-over-year). Additionally, downward revisions in the prior two months added an accent to the sluggish headline results. The latest report does not necessarily signal that households are in retreat, but it does suggest that caution prevails in an environment of heightened uncertainty spurred by evolving tariff policy and a slowing labor market.

Retail Sales -- Monthly Percent Change

	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Total	-0.9	0.0	1.5	-0.1	-0.9
Ex.-Autos	-0.3	0.4	0.6	0.0	-0.3
Ex.-Autos, Ex.-Gas	-0.4	0.5	1.0	0.1	-0.1
Retail Control*	-0.5	0.8	0.5	-0.1	0.4
Autos	-3.3	-1.4	5.3	-0.6	-3.5
Gasoline	1.1	-0.7	-2.8	-0.7	-2.0
Clothing	-0.5	-0.1	1.1	0.0	0.8
General Merchandise	0.7	-0.3	0.0	-0.1	0.1
Nonstore**	-1.0	1.4	0.5	0.4	0.9

* Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

** Primarily online and catalog sales; also includes sales by fuel-oil dealers.

Source: U.S. Census Bureau via Haver Analytics

- Turning to the retail control group, which excludes sales at auto and parts dealers, gasoline stations, and building materials, garden equipment & supply dealers – and correlates with goods outlays in the GDP accounts – activity rose 0.4 percent (+5.0 percent year-over-year). Outlays at electronics and appliance stores contracted (-0.6 percent), but other areas posted solid results. On the point, activity at furniture stores jumped 1.2 percent, and spending at clothing stores rose 0.8 percent. Sales at sporting goods and miscellaneous stores rose (+1.3 percent and +2.9 percent, respectively), but the shifts merely offset drops in the prior month (-3.0 percent and -3.7 percent, respectively).
- The food services and drinking places component, which is the only area in the retail report that provides insights into spending on services, slipped 0.9 percent in the latest month. The results were disappointing, as this is a discretionary area wherein the latest results could point to the aforementioned caution by households. With that said, however, activity in the prior two months was solid, indicating that consumers have yet adopt a purely defensive posture with spending only focusing on necessities (+0.8 and +2.5 percent in April and March, respectively).
- Contextualizing this report within our outlook for Q2, we could foresee real consumer spending in the range of 1.5 to 2.0 percent (consistent with GDP growth in the upper-one-percent area). With that said, the projected solid result in part reflects strong Q1 base effects (recall the 0.7 percent jump in real consumer spending in March). Additionally, results for June could result in further adjustments to our current view. Thus, we look for real consumer spending in the back half of the year to be closer to the current Q1 tally of 1.2 percent.

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