Daiwa Capital Markets

U.S. Data Review

- Retail sales: price led jump in gasoline sales; restrained spending elsewhere

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Retail Sales

Retail sales slipped 0.3 percent in May, softer than the consensus expectation of a pickup of 0.1 percent. In addition, results in the prior two months were revised lower, with the level of sales in April 0.4 percent softer than previously reported. The latest data signal hesitation on the part of consumers, with rapid inflation leading to more caution spending -- especially on nonessentials.

Retail Sales -- Monthly Percent Change

	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Total	2.7	1.7	1.2	0.7	-0.3
Ex.-Autos	1.6	1.7	2.0	0.4	0.5
Ex.-Autos, Ex.-Gas	2.0	1.2	0.9	0.8	0.1
Retail Control*	2.0	1.2	0.9	0.9	0.1
Autos	7.3	1.4	-2.2	1.8	-3.5
Gasoline	-1.8	6.3	10.7	-1.9	4.0
Clothing	0.4	1.3	2.7	0.5	0.1
General Merchandise	3.0	-2.4	1.3	-0.5	0.1
Nonstore**	7.1	1.3	-1.2	1.0	-1.0

** 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

The auto component was a notable drag on activity in May, falling 3.5 percent. Sales had increased in three of the first four months of 2022, but the latest decline suggests that limited inventories stemming from prior supply constraints and the associated surge in prices since the spring of 2021 likely restrained demand.

Sales at gasoline stations jumped 4.0 percent, but as in most other recent months, the advance reflected higher prices paid at the pump rather than an increase in real activity. (The gasoline component of the CPI rose 4.1 percent in May, which exceeded the nominal gain in sales at gasoline service stations.)

Sales excluding autos and gasoline rose 0.1 percent. The modest change was even less impressive when downward revisions to prior data were taken into account, as the level of sales excluding autos and gas in April was 0.6 percent lower than first reported. Activity at food and beverage stores posted the largest gain, but higher prices again were a factor. The food-at-home component of the CPI rose 1.4 percent, which suggests that real spending at grocery stores slipped on a month-to-month basis.

Consumers showed restraint when spending in discretionary categories, as higher costs for essentials constrained budgets. Activity at electronic and appliance stores dropped 1.3 percent, adding to the downward trend since last fall. Spending at furniture stores eased 0.9 percent, adding to a flat trend since the spring of last year, and sales at nonstore retailers (mostly online) slipped 1.0 percent. In contrast, sales at sporting goods store and general merchandise store posted modest gains (up 0.4 percent and 0.1 percent, respectively), although their trends remained sideways. In general, a disappointing performance.