

U.S. Data Review

- Retail sales: consumers spent actively in March

Lawrence Werther

Daiwa Capital Markets America

212-612-6393

lawrence.werther@us.daiwacm.com

Retail Sales

- Retail sales jumped 0.7 percent in March versus the Bloomberg median expectation of an advance of 0.4 percent. Additionally, results in the prior two months were revised higher, with the level of sales in February 0.5 percent higher than previously reported. Consumers appear to again be spending actively on goods after a slowdown in 2023-Q4 and weather-related disruptions in January.

- In March, sales at motor vehicle and parts dealers slipped 0.7 percent, an anticipated shift after new vehicle sales slowed to 15.5 million (annual rate) from a 15.7 million pace in the prior month.

- Activity at gasoline stations advanced 2.1 percent. A portion of the firm reading was the result of higher prices, but real activity appeared to have increased as well. Adjusting nominal sales by the gasoline component of the CPI (which rose 1.7 percent in March) implied a pickup of 0.3 percent in real activity.

- Results excluding autos and gas were robust (+1.0 percent). A surge of 2.7 percent in activity at nonstore retailers stood out on the firm side after a mixed performance since the fall of last year. Moreover, the longer-term trend supports the view that consumer preferences are shifting from brick-and-mortar towards online activity. Other areas also were firm. Sales at general merchandise stores (+1.1 percent) and miscellaneous stores (+2.1 percent) were highly favorable after both flattened out in the second half of last year. In contrast to robust activity in several areas, a few categories registered soft results; notably, activity at sporting goods store fell 1.8 percent, sales at clothing stores dropped 1.6 percent, and the value of transactions at electronics and appliance outlets eased 1.2 percent. That said, the weakness in those areas may well reflect a shift in where purchases were made (see the surge in online activity) rather than a reduction in spending on discretionary items.

- All told, the March retail report suggests firm activity by consumers in Q1. The retail control (sales ex. autos, building supplies, and gasoline stations), which provides insight into goods spending in the GDP accounts, increased 1.1 percent in March and 3.0 percent for Q1 (quarterly average/quarterly average at an annual rate). Incorporating this into our calculation of real consumer spending for Q1 suggests growth in the mid-two-percent area – a fine performance amid headwinds from elevated interest rates and tight lending standards.

Retail Sales -- Monthly Percent Change

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Total	0.0	0.1	-0.9	0.9	0.7
Ex.-Autos	-0.1	0.1	-0.6	0.6	1.1
Ex.-Autos, Ex.-Gas	0.3	0.2	-0.5	0.5	1.0
Retail Control*	0.2	0.3	-0.1	0.3	1.1
Autos	0.3	0.2	-2.1	2.5	-0.7
Gasoline	-3.7	-0.8	-1.1	1.6	2.1
Clothing	1.2	1.4	-0.9	0.2	-1.6
General Merchandise	-0.2	0.7	0.6	0.6	1.1
Nonstore**	0.4	1.3	0.2	0.2	2.7

* 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