

Economics

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May 17, 2022

US retail sales: More than keeping up

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Retail Sales (monthly % chg, unless otherwise noted)	Apr 2022	Mar 2022	Feb 2022	Jan 2022	Dec 2021	Apr YoY SA
Retail & food service	0.90%	1.41%	1.7%	2.7%	-1.6%	8%
• Ex-autos	0.60%	2.14%	1.7%	1.6%	-1.4%	11%
Control Group ¹	0.99%	1.08%	0.1%	3.0%	-1.9%	7%
Motor vehicles, parts	2.17%	-1.56%	1.4%	7.3%	-2.3%	-2%
Furniture	0.65%	-0.06%	0.9%	6.9%	-6.7%	1%
Electronics	1.05%	2.67%	3.5%	0.5%	0.0%	-5%
Building materials	-0.10%	0.73%	0.3%	2.3%	0.8%	2%
Food, beverages	-0.23%	0.81%	-0.1%	0.5%	0.5%	7%
Health, personal care	0.71%	0.95%	-1.1%	0.1%	0.0%	2%
Gasoline stations	-2.71%	9.65%	6.3%	-1.8%	1.3%	37%
Clothing	0.76%	2.04%	1.3%	0.4%	-2.8%	8%
Sporting goods	-0.55%	0.56%	0.4%	-1.0%	-2.5%	-5%
General merchandise	0.24%	2.08%	-2.4%	3.0%	-1.8%	1%
• Department stores	1.05%	-0.03%	0.2%	11.0%	-8.6%	3%
Miscellaneous	3.97%	2.38%	3.2%	1.7%	-0.7%	19%
Non-store retailers	2.15%	0.42%	1.3%	7.1%	-4.4%	13%
Eating, drinking	2.00%	1.92%	6.6%	-2.6%	-1.9%	20%

Source: Haver Analytics.

- The squeeze on household incomes caused by strong inflationary pressures isn't yet having an impact on discretionary spending, with core retail sales having risen strongly and above the pace of inflation over the past three months. While the headline 0.9% increase in sales was nothing too spectacular, and was broadly in line with the consensus expectation, it was accompanied by an upward revision to the prior month, meaning that the absolute level of spending was stronger than anticipated in April.
- Auto sales were higher on the month, driven by a rebound in unit sales but also a further increase in prices due to supply shortages. Gasoline sales fell on the month, but that was a reflection of a temporary pullback in prices which has more than reversed into May. Restaurant sales rose by a further 2%, and are back on their pre-Omicron trend line after a temporary pullback in January.
- Non-store retail sales increased further, and continue to show few signs of giving back any gains in share that they picked up during the pandemic. Indeed, non-store sales accounted for 15.7% of total retail sales in April, which was

¹ This calculation removes food services, gas, building materials & autos from total retail & food service sales.

actually up slightly from a year ago and compares to the 12% share those sales accounted for before the pandemic struck.

- The only areas of weakness in today's report were food stores (down 0.2% despite strong increases in prices), which would be a reflection of more people eating out rather than at home. Sporting goods sales also fell a further 0.5%, and are down 5% relative to a year earlier, as some of the excess demand for home gyms etc caused by the pandemic continues to fade.
- Sales in the control group (ex food service, autos, gasoline, building materials) increased by 1%, and on a three-month annualized basis were up 10%. While the increase will look less impressive after taking price movements into account, today's data still suggests that the squeeze on household incomes from inflationary pressures isn't yet having a material impact on discretionary spending. Clothing sales continue to recover from the hit they took during the pandemic, while electronics have started to grow again in recent months after a tough start to the year.

Implications & actions

Re: Economic forecast —The solid retail sales figures, combined with a better than expected industrial production release later in the morning, should see tracking forecasts for Q2 GDP rise closer to our own 4% annualized projection. However, the continued strong demand for goods, at a time supply chains are under renewed pressure, will also limit the speed at which inflation can ease back to target. That justifies a further 50bp hike from the Fed to cool the economy at its next meeting.

Re: Markets — Bond yields were already moving higher prior to the release due to better global risk sentiment than in prior sessions, and the upward move continued after the retail sales release.

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