

Economics

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US retail sales (Mar): Consumers unfazed by higher pump prices

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Retail Sales (monthly % chg, unless otherwise noted)	Mar	Feb	Jan	Dec	Nov	Mar YoY SA
Retail & food service	1.7%	0.7%	0.0%	0.0%	0.5%	3.3%
• Ex-autos	1.9%	0.7%	0.1%	0.0%	0.4%	4.0%
Control Group ¹	0.7%	0.6%	0.5%	0.0%	0.2%	4.9%
Motor vehicles, parts	0.5%	1.0%	-0.7%	0.0%	0.9%	0.3%
Furniture	2.2%	-0.1%	1.1%	-1.9%	-0.1%	-3.4%
Electronics	0.9%	0.7%	1.1%	0.5%	0.1%	5.0%
Building materials	0.7%	0.6%	0.7%	1.1%	1.4%	4.5%
Food, beverages	0.7%	-1.2%	0.0%	0.2%	-0.3%	1.2%
Health, personal care	0.5%	2.0%	-3.0%	-0.3%	-0.6%	2.9%
Gasoline stations	15.5%	1.3%	-2.2%	0.4%	1.3%	-2.7%
Clothing	0.0%	2.8%	-0.4%	-0.8%	0.3%	4.4%
Sporting goods	0.0%	0.7%	-0.4%	1.4%	0.4%	6.6%
General merchandise	1.0%	0.0%	0.5%	-0.1%	0.0%	1.8%
• Department stores	4.2%	3.5%	-5.5%	-3.9%	-0.6%	-7.9%
Miscellaneous	-0.9%	2.2%	2.2%	0.3%	0.8%	12.2%
Non-store retailers	1.0%	1.2%	1.8%	0.0%	0.7%	10.1%
Eating, drinking	0.1%	0.5%	-0.3%	-0.4%	0.5%	3.6%

Source: Haver Analytics.

- Retail sales surged in the US in March, driven both by higher gasoline prices and resilience in discretionary categories. The 1.7% headline increase was above the consensus expectation of 1.4% and included a 16% jump in gasoline station receipts. However, that didn't stop consumers from spending elsewhere, as the control group of sales that feeds more directly into non-auto goods consumption in GDP (and excludes gasoline, autos, restaurants, and building materials) posted a 0.7% increase, well above the 0.2% consensus expectation, while the prior month's reading was revised up by a tick to 0.6%. That leaves the annualized pace over the first quarter at roughly 2.3% in volume terms for the control group, an acceleration from the fourth quarter's pace, suggesting that the consumer is on more solid ground than thought. That could partly reflect the increase in tax refunds seen this year, although we doubt this pace of spending can continue in the second quarter given a sluggish labor market and the squeeze from higher gasoline prices.
- The March gain reflected solid spending on furniture, electronics/appliances, and online shopping. Twelve out of thirteen categories increased, the most widespread strength seen over the past year, leaving total sales 4% above

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

year-ago levels. The only category to decrease was the miscellaneous group, but some other categories were weak, with clothing sales being flat, and restaurant spending increasing by only 0.1%.

- After a weak Q4, online shopping perked back up again in Q1, with the annualized pace running at 13% in Q1, up from 5.6% in Q4. Online sales continue to account for a rising share of total control group spending, standing at 32% of sales, up from 21% in 2019.

Implications & actions

Re: Economic forecast — Although this implies solid goods consumption in Q1, a pull back in unit auto sales will provide a partial offset, and it's unlikely that households will be able to maintain this pace of spending given the sluggish labor market, a low saving rate, population restrictions, and the hit from higher gasoline prices once tax refunds dry up.

Re: Markets — The upside surprise saw bond yields and the greenback increase.

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