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US retail sales (May): Strong rebound in May

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Retail Sales (monthly % chg, unless otherwise noted)	May	Apr	Mar	Feb	Jan	May YoY SA
Retail & food service	0.9%	0.4%	1.7%	0.9%	0.0%	6.9%
• Ex-autos	0.8%	0.7%	2.0%	0.9%	0.1%	7.5%
Control Group[1]	0.7%	0.5%	0.9%	0.9%	0.5%	6.3%
Motor vehicles, parts	1.2%	-0.9%	0.6%	1.0%	-0.7%	4.4%
Furniture	1.0%	-1.5%	2.4%	-0.4%	1.1%	-1.2%
Electronics	-0.5%	1.4%	1.5%	1.2%	1.1%	6.9%
Building materials	0.0%	0.2%	1.3%	0.5%	0.7%	5.6%
Food, beverages	0.0%	0.7%	1.1%	-1.1%	0.0%	2.0%
Health, personal care	0.6%	0.0%	1.3%	2.0%	-3.0%	2.9%
Gasoline stations	3.4%	2.4%	14.2%	1.7%	-2.2%	26.5%
Clothing	0.3%	-0.6%	0.2%	2.6%	-0.4%	5.7%
Sporting goods	0.3%	1.7%	0.3%	2.9%	-0.4%	11.3%
General merchandise	0.4%	-0.1%	1.6%	0.1%	0.5%	3.8%
• Department stores	-0.3%	0.3%	4.9%	3.0%	-5.5%	1.9%
Miscellaneous	2.3%	-0.7%	-1.8%	1.8%	2.2%	9.1%
Non-store retailers	1.5%	1.1%	0.8%	1.8%	1.8%	12.2%
Eating, drinking	-0.1%	0.9%	0.0%	0.7%	-0.3%	2.7%

Source: Haver Analytics.

- Retail sales re-accelerated in the US in May, advancing 0.9% m/m for headline advance beating the consensus expectation of 0.6%. April was revised down a touch from 0.5% to 0.4%. Year-over-year retail sales is up higher from 4.8% in April to 6.9% in May, the highest since January 2023. Although sales at gasoline station grew strongly (3.4% m/m) due to higher prices as expected, the monthly advance was broad-based across categories. Some discretionary categories such as miscellaneous store retail and non-store retailers, clothing, sporting goods, all posted healthy growth in the month, although some bounced back from a decline in the prior month. The control group sales (ex. gasoline, restaurants, building materials, and autos) that feeds more directly into non-auto goods consumption in GDP also posted a solid 0.7% m/m increase, beating consensus expectation (0.4%). Higher tax refunds this year may have provided a temporary buffer for consumer spending, recent health job gains may have also supported consumption. But with wage growth slowing and higher gasoline prices squeezing households, we still look for consumption to slow over the quarter.

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

- Growth was broad-based in May, with 11 of 13 categories increasing (except electronics and appliance stores and food and drinking places). Non-store retailers and gasoline stations were the largest contributors to the advance, with each adding about 0.3 ppts to the headline. Autos also contributed 0.2 ppts. That leaves total sales 6.9% above year-ago levels, the highest since January 2023. For the control group, it is 6.3% above year-ago levels.

Implications & actions

Re: Economic forecast — The strong rebound in retail sales in May highlights the resilience of the US consumers despite higher fuel prices and sticky inflation pressures. Higher tax refunds this year and steady job gains may have also supported consumption. But headwinds still exist, including decelerating wage growth, and the hit to purchasing power from higher prices tied to higher gasoline prices. The savings rate also already fell to the lowest level in nearly four years in April. As tax season now mostly over, we still expect consumption to slow over the coming months.

Re: Markets — Yields are up after the release due to the stronger than expected print and reinforces market's expectation of a hawkish lean to the Fed.