

Economics

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US Retail sales limited by squeeze from gasoline prices

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| Retail Sales (monthly % chg, unless otherwise noted) | Mar 2022 | Feb 2022 | Jan 2022 | Dec 2021 | Nov 2021 | Mar YoY SA |
|--|----------|----------|----------|----------|----------|------------|
| Retail & food service | 0.5% | 0.8% | 5.1% | -2.7% | 0.7% | 6.9% |
| • Ex-autos | 1.1% | 0.6% | 4.6% | -3.0% | 0.7% | 9.1% |
| Control Group ¹ | -0.1% | -0.9% | 6.8% | -4.4% | 0.2% | 4.4% |
| Motor vehicles, parts | -1.9% | 1.5% | 7.0% | -1.5% | 0.7% | -1.2% |
| Furniture | 0.7% | 2.7% | 7.4% | -7.5% | 0.7% | 3.6% |
| Electronics | 3.3% | 0.3% | 1.4% | -4.3% | -11.3% | -9.7% |
| Building materials | 0.5% | 0.9% | 2.2% | 0.6% | 3.3% | 0.6% |
| Food, beverages | 1.0% | -0.3% | 1.0% | -0.1% | 0.5% | 8.4% |
| Health, personal care | -0.3% | -0.6% | 0.1% | 0.5% | 2.3% | 1.4% |
| Gasoline stations | 8.9% | 6.7% | -1.0% | 1.2% | 1.9% | 37.0% |
| Clothing | 2.6% | 0.6% | 1.0% | -3.9% | 1.1% | 7.3% |
| Sporting goods | 3.3% | 3.5% | -1.2% | -6.3% | 1.9% | -5.1% |
| General merchandise | 5.4% | -0.2% | 4.6% | -3.8% | -1.1% | 5.2% |
| • Department stores | -0.3% | 1.7% | 9.8% | -7.1% | -5.5% | 7.4% |
| Miscellaneous | 0.8% | 1.3% | 2.6% | -0.1% | 0.2% | 13.3% |
| Non-store retailers | -6.4% | -3.5% | 21.2% | -11.2% | 1.1% | 1.8% |
| Eating, drinking | 1.0% | 3.0% | -0.5% | -0.3% | 0.5% | 19.4% |

Source: Haver Analytics.

- While the US retail sales figures were softer than expected in March, positive revisions to the February sales figures made up for the disappointments. The 0.5% growth in total sales reflected a lift from higher gasoline prices, while a rise in restaurant sales as Covid cases faded also contributed to the increase. Excluding those components, along with autos and building materials, the control group of sales showed a 0.1% retrenchment. Clearly, these figures will look worse in volume terms, and we expect elevated prices at the pump to continue to squeeze consumption in Q2.
- The 9% rise in receipts at gas stations more than offset the 2% drop in vehicle sales, as excluding gasoline from total retail sales would have left that group 0.3% lower on the month. The drop in vehicle sales was implied by the earlier released industry data on sales volumes as well as the drop in used car prices. While recent drops in used car prices are a sign of supply chain issues fading in that sector, the inventory-to-sales ratio at auto dealers remains at rock bottom levels, and we expect unit sales to pick up as more supply becomes available.
- Restaurant spending posted a solid advance as Covid cases faded, and that category is now in line with where its pre-pandemic trend would have put it. The gain in restaurant spending was surprisingly matched by an increase in

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

grocery store spending, likely reflecting the climb in food-at-home prices that has worsened as a result of the war in Ukraine.

- The modest drop in the control group of sales was accounted for by a drop in online shopping, but that still leaves online sales 13% above their pre-pandemic trend line. The drop in online spending wasn't made up by spending at in-person stores, consistent with the squeeze on spending from higher gasoline prices in particular.

Implications & actions

Re: Economic forecast — With the positive revisions to the February figures offsetting the downside in the March figures, this does little to change our view of the first quarter, in which goods consumption will contribute to growth as a result of a strong January. However, with elevated gasoline prices continuing to bite into consumption in Q2, we look for the excess of goods spending to be pared back. Indeed, the control group of retail sales still sits 17% above its pre-pandemic trend growth path.

Re: Markets — While the USD gained ground and yields rose following the release, that was impacted by markets digesting the ECB's rate announcement.

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