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US retail sales (Apr): A rough road ahead for the consumer

by **Ali Jaffery** ali.jaffery@cibc.com

Retail Sales (monthly % chg, unless otherwise noted)	Apr	Mar	Feb	Jan	Dec	Apr YoY SA
Retail & food service	0.1%	1.7%	0.0%	-0.9%	0.8%	5.2%
• Ex-autos	0.1%	0.8%	0.4%	-0.3%	0.7%	4.2%
Control Group[1]	-0.2%	0.5%	0.8%	-0.5%	1.0%	4.9%
Motor vehicles, parts	-0.1%	5.5%	-1.4%	-3.3%	1.0%	9.4%
Furniture	0.3%	-0.1%	0.6%	-1.4%	2.6%	7.8%
Electronics	0.3%	1.5%	0.8%	-0.6%	0.3%	0.1%
Building materials	0.8%	2.9%	-0.2%	-1.8%	-1.5%	3.2%
Food, beverages	0.0%	0.0%	0.2%	0.1%	0.9%	2.7%
Health, personal care	-0.2%	1.0%	3.0%	-1.1%	-0.5%	8.5%
Gasoline stations	-0.5%	-2.5%	-0.7%	1.1%	2.0%	-6.8%
Clothing	-0.4%	1.1%	-0.1%	-0.5%	1.1%	3.5%
Sporting goods	-2.5%	3.8%	-0.6%	-3.1%	2.8%	1.7%
General merchandise	-0.2%	0.5%	-0.3%	0.7%	0.6%	2.8%
• Department stores	-1.4%	0.4%	0.2%	0.1%	-0.7%	-3.4%
Miscellaneous	-2.1%	1.4%	2.0%	0.6%	5.0%	6.0%
Non-store retailers	0.2%	0.1%	1.4%	-1.0%	1.0%	7.5%
Eating, drinking	1.2%	3.0%	-0.5%	0.2%	0.0%	7.8%

Source: Haver Analytics.

- Liberation Day might have spooked the American consumer a little. The control group of retail sales, which feeds into non-auto core goods consumption in GDP, contracted by 0.2% in April, falling far short of expectations of a 0.3% gain. The prior month was revised up by one tick. Total retail sales was also subdued, rising by 0.1% but that was a notch above expectations. There were gains in only 5 out of 13 categories. The consumer doesn't appear to be eager to front-load spending in the face of ever-evolving tariffs. Slowing population growth and the large pull-forward of demand in H2 2024 could be other forces pushing a slower pace of consumer spending growth in the first half of this year.
- There were gains in eating and drinking (+1.2%) and building materials (+0.8%) with everything else, including non-store retailers (0.2%) remaining subdued or contracting. Clothing and sporting goods both posted declines in the month, and those are tariff-sensitive areas, although they are coming off of strong gains the prior month.
- The road ahead for the consumer is going to be rough. Despite the ratcheting down of tariff rates between the US and China, and a 90-day reprieve resulting in a baseline 10% tariff rate applying most of other trading partners, the

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

average effective tariff rate is still significantly higher than before the trade war, likely around 15% compared to under 3% at the end of last year. Many businesses have been managing these first few months through inventories and absorbing some of the tariffs, but that is starting to change. Major retailers are starting to report price hikes for May and the summer. High-frequency pricing also suggests the subdued CPI print we saw this week isn't going to last (Cavallo et al, 2025). The inventory buffer also won't help much longer, with sales-to-inventory levels still far below what they were during the pre-pandemic period, especially when excluding vehicles.

- That is going to put a major dent into real wage growth going forward, which slowed to about 1% on a four-quarter basis in Q1. During the post-pandemic period, despite negative real wage growth, consumers still spent lots of cash and drove the saving rate down to a historic lows. We're not so sure they will be willing to do that this time around. Population growth was booming, and households were riding a range of fiscal tailwinds back then. It's a different America now. The mood is more cautious, sentiment is low and markets are on edge with an administration seeking to make drastic changes to international trade and finance even if more methodically now. Fiscal policy could turn more supportive and lift spirits, but the rates market might cut into some of that benefit if it does come. All in all, we expect tariffs and the sentiment shock to bring consumption growth to slow to around 1-1.5% in the second half of this year.

Implications & actions

Re: Economic forecast — We expect GDP growth around 2% in Q2 and consumption growth near that, largely on the back of a strong handoff from March services consumption.

Re: Markets — Both bond yields and the USD fell on the downside surprise in the control group.