

Economic Indicator — May 16, 2023

## Control Group Retail Sales Posts Solid April Gain

### Summary

April retail sales saw control group sales post the second largest gain of the past seven months. Yet a number of categories point to consumers running out of momentum, and an expected surge in autos did not happen. Real retail sales were actually down in five of the past six months.

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U.S. Retail Sales: April 2023												
	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Retail Sales (MoM)	0.0	0.6	-0.5	0.7	0.0	1.0	-1.3	-0.7	2.8	-0.7	-0.7	0.4
Retail Sales (YoY)	9.7	9.3	10.3	10.2	9.4	8.8	6.1	6.0	7.4	5.3	2.4	1.6
Retail Sales (% Change from Jan-20)	28.6	29.4	28.7	29.6	29.6	31.0	29.2	28.3	31.9	31.0	30.1	30.7
Retail Sales, Ex. Autos (MoM)	0.7	0.7	-0.1	0.1	0.0	1.0	-1.1	-0.5	1.9	-0.5	-0.5	0.4
Retail Sales, Ex. Autos (YoY)	13.3	11.7	12.6	11.0	10.3	9.6	7.4	7.2	8.4	6.4	2.9	2.1
Control Group Sales (MoM)	0.2	0.7	0.3	0.6	0.7	0.4	-0.9	0.2	1.7	0.0	-0.3	0.6
Control Group Sales (YoY)	8.8	7.4	9.6	8.2	8.6	7.3	5.7	6.5	6.5	6.3	4.5	4.1
Real Retail Sales (MoM)	-1.1	-1.2	0.1	1.2	0.2	0.5	-1.1	0.0	2.4	-0.8	-0.3	-0.2
Real Retail Sales (YoY)	-2.9	-3.6	-1.4	-0.3	-0.2	0.2	-0.8	1.1	2.9	1.7	0.8	-0.5
Real Retail Sales (% Change from Jan-20)	8.2	6.9	7.0	8.2	8.4	8.9	7.7	7.7	10.3	9.4	9.0	8.8

Notes: MoM = Month-over-Month Percent Change  
YoY = Year-over-Year Percent Change

Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Economics

## Auto Dealers Finally Have Inventory, If Only People Were Buying

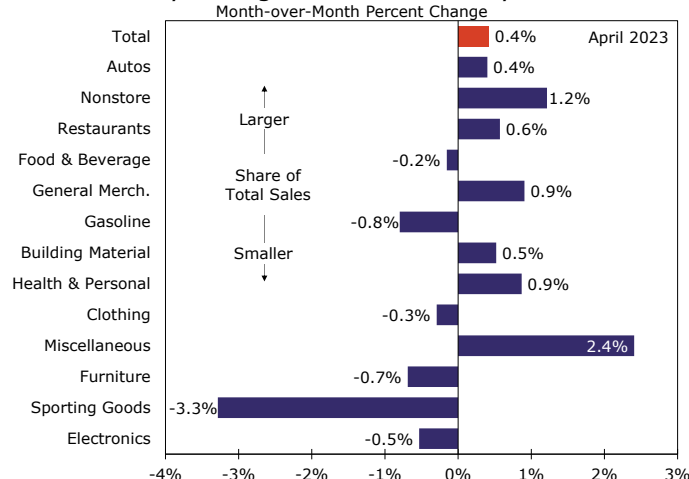
If consumers continue to be price takers, what incentive do firms have to lower prices? That is a question Fed policymakers might reasonably be asking after today's April retail report, which shows consumers continue to spend. Retail sales rose 0.4% in April, which came on the back of upward revisions to the previous month. But details were a bit mixed under the hood, with only seven of 13 retailers reporting a rise in sales last month. A weaker-than-expected print in auto sales can explain some of the miss.

Coming into today's report, we already knew that wholesale auto sales rose in April to the highest annualized rate since before supply shocks led to mostly empty dealer lots in the summer of 2021. Most economists, ourselves included, expected a boost from autos. That was evident in the fact that consensus expectations for the headline were +0.8%, double the 0.4% expected increase for the ex-autos number. In the actual event, autos posted a mild 0.4% gain in April, not even enough to make up for last month's 0.5% decline. Auto dealers finally have vehicles to sell, but would-be buyers are no longer flush with cash like they were in 2021—the last time wholesale auto sales were this strong.

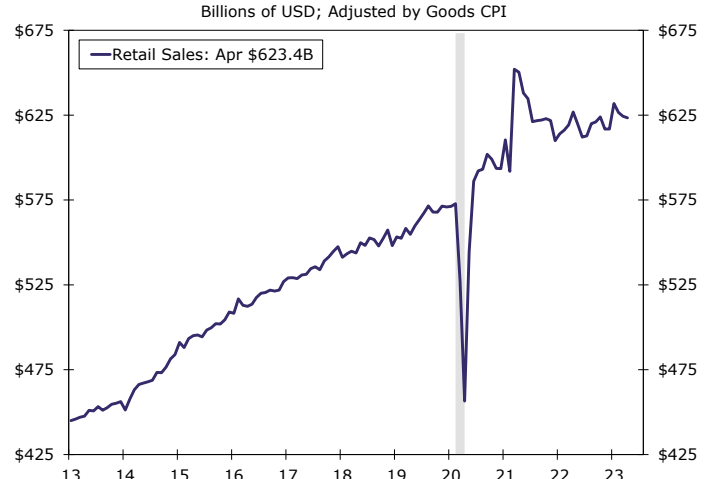
Sales at gas stations were down in April, part of a mostly price-driven decline that has resulted in lower receipts at gas stations for five straight months. The upshot is that excluding autos and gas, retail sales posted a +0.6% increase in April, the best outturn since January. In fact, control group sales, which excludes volatile categories like autos, gasoline, building materials and food services, rose 0.7% in April, marking the second largest gain in seven months. This measure feeds directly into the BEA's calculation of PCE in the GDP accounts and suggests consumer spending has started the quarter on the right foot.

That is not to say that consumers are back to their old habits. In fact, it is evident that some high-flying categories where people splurged in the early pandemic years are under pressure now ([chart](#)). Sporting goods stores, department stores, as well as furniture and home furnishings outlets topped the list of store types that saw consumers dial back spending in April.

### Monthly Change in Retail Sales by Retailer



### Real Retail Sales



## Consumers Still Have Spending Capacity... For Now

When factoring in higher goods prices during the month, however, we estimate *real* retail sales slid 0.2% in April, marking the third consecutive decline and fifth in six months. Still, as the nearby [chart](#) shows, while retail spending is slowing, it is doing so only gradually.

The bottom line is that consumers still have the means to spend. Whereas in the early days of the pandemic excess savings afforded households the ability to splurge on goods, today a sturdy jobs market and steady real income gains are supporting consumption. As inflation subsides, that helps those hard-earned dollars go a little farther. We continue to expect consumer spending will moderate

over the course of the year. Credit conditions are tightening, excess savings is dwindling and slack is materializing in the labor market. All of these capacity factors are moving in the wrong direction.

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