

Economic Indicator — June 17, 2025

Back-to-Back Declines for Overall Retail Sales, Core Spending OK

Summary

A 3.5% drop in sales at auto dealers pulled overall retail sales into negative territory in May, and a downward revision reversed a modest April gain to a modest decline. Control group sales eked out a scant gain of 0.4%, but with half the store types reporting declines, retailers are struggling.

Economist(s)

Tim Quinlan

Senior Economist | Wells Fargo Economics
Tim.Quinlan@wellsfargo.com | 704-410-3283

Shannon Grein

Economist | Wells Fargo Economics
shannon.grein@wellsfargo.com | 704-410-0369

U.S. Retail Sales: May 2025												
	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Retail Sales (MoM)	-0.3	1.2	-0.2	0.8	0.6	0.6	0.8	-0.9	0.0	1.5	-0.1	-0.9
Retail Sales, Ex. Autos (MoM)	0.6	0.5	-0.2	0.9	0.3	0.0	0.7	-0.3	0.4	0.6	0.0	-0.3
Control Group Sales (MoM)	1.1	0.5	-0.2	1.2	0.3	-0.1	1.0	-0.4	0.8	0.5	-0.1	0.3
Real Retail Sales (MoM)	0.0	1.4	-0.1	0.8	0.7	0.4	0.3	-1.3	-0.1	2.0	-0.1	-0.8
Retail Sales (YoY)	2.0	3.0	1.9	2.0	3.1	3.9	4.6	4.6	3.9	5.1	5.0	3.3
Retail Sales, Ex. Autos (YoY)	3.4	3.4	2.2	2.5	3.0	3.1	3.7	4.4	4.3	4.2	4.1	3.5
Control Group Sales (YoY)	4.0	3.8	3.3	4.3	4.2	4.1	4.9	5.0	5.7	5.4	5.2	5.0
Real Retail Sales (YoY)	2.4	3.3	3.0	3.4	4.3	4.3	4.3	3.8	3.3	5.0	5.1	3.3

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

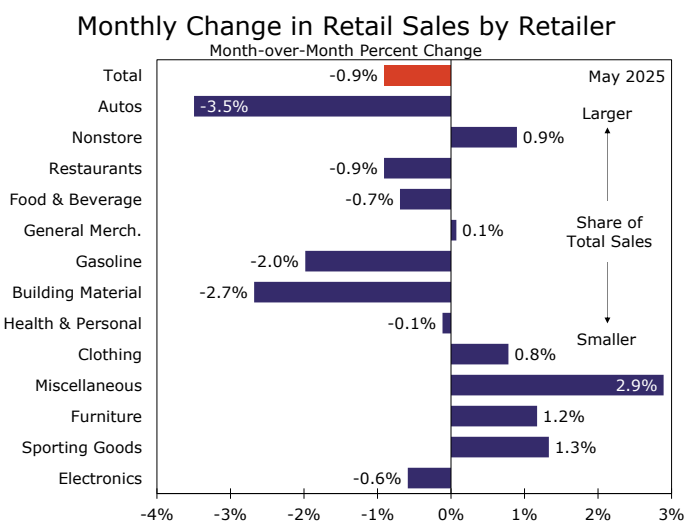
Sales Were Half Good

In a world where financial markets are trying to weigh the impact of tariffs, retail sales have taken on greater importance. Today's report for May is not a terribly encouraging report card in terms of how spending is holding up amid tariffs. Overall retail sales fell 0.9% in May, and last month's scant gain of 0.1% was flipped to a scant decline of 0.1%.

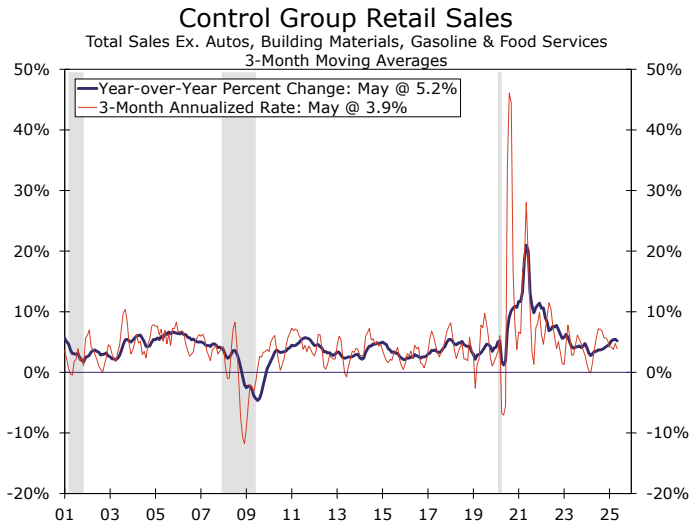
The two biggest categories are autos and e-commerce. Auto dealers have now seen falling sales in four out of the first five months of the year. A pop in March was solid with a 5.3% monthly increase that was largely attributed to people getting the biggest of big-ticket purchases done ahead of the tariffs. But in the wake of that excitement, sales activity on dealer lots has slowed now in back-to-back months. The May decline of 3.5% marks the biggest monthly decline of 2025 so far.

For 20 years, e-commerce has been taking share from general merchandise stores and other brick & mortar retailers, that gained momentum during the pandemic, and so far e-commerce appears to be benefiting from the trade war, at least at this early stage. The category posted increased sales for the fourth straight month, this time a 0.9% gain, and is up 8.3% over the past year.

To be fair, retail sales are not entirely composed of goods categories: bars & restaurants together comprise the third-largest category of spending. It would be difficult to identify a better example of discretionary spending than going out to eat, but perhaps because it is an affordable luxury it had been holding up. After posting the largest overall increase in last month's report, May saw some slowing in sales activity at bars & restaurants with spending down 0.9% for the month, the largest monthly decline for this usually solid category since February 2023.



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



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Only half of all retailers reported a pickup in sales activity last month. The control group measure is a favorite in that it's a good indication of overall goods spending. It excludes somewhat volatile categories (such as gasoline and building materials) and sales at larger retailers (such as autos and restaurants). By this measure, underlying sales rose 0.4% and continue to run at a decent, if underwhelming, clip ([chart](#)). While control sales are a good proxy for goods consumption in GDP, given it gets at more of an underlying trend pace of spending, sales at these excluded retailers are still counted in consumption/output, they are just tallied from separate source data.

Most of the weakness in May sales was traced to categories that are excluded from the control measure ([chart](#)). We thus believe the control measure may overstate the strength of underlying spending today. Ultimately, today's report does not materially alter our expectations for second-quarter spending. The broader personal income and spending report out later this month will give us a more comprehensive read on Q2 consumption and to what degree households' demand for discretionary goods and services is holding up, but the May retail sales data show some signs of caution.

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Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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