

Economic Indicator — April 14, 2023

Retail Sales Slip Again in March After Unusually Strong Start to Year

Summary

Retail sales continued to reverse in March after a temporary surge to start the year. But the level of spending remains elevated and demonstrates there remains an underlying resilience among consumers.

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U.S. Retail Sales: March 2023												
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Retail Sales (MoM)	0.4	0.4	1.0	-0.4	0.7	-0.2	1.1	-1.1	-0.8	3.1	-0.2	-1.0
Retail Sales (YoY)	7.8	8.7	8.8	10.0	9.7	8.4	8.0	5.9	6.2	7.6	5.9	2.9
Retail Sales (% Change from Jan-20)	28.7	29.2	30.5	30.0	30.8	30.6	32.0	30.6	29.5	33.6	33.3	32.0
Retail Sales, Ex. Autos (MoM)	0.1	1.3	1.1	-0.1	0.2	-0.1	1.0	-0.8	-0.6	2.3	0.0	-0.8
Retail Sales, Ex. Autos (YoY)	10.5	12.0	11.0	12.1	10.3	9.1	8.6	7.0	7.4	8.6	7.1	3.6
Control Group Sales (MoM)	0.0	0.8	1.1	0.4	0.4	0.4	0.5	-0.6	-0.3	2.5	0.5	-0.2
Control Group Sales (YoY)	5.6	6.9	5.9	8.6	7.1	6.8	6.1	5.1	6.9	6.7	7.3	5.5
Real Retail Sales (MoM)	0.4	-0.8	-0.8	0.2	1.2	0.0	0.5	-0.9	-0.1	2.8	-0.4	-0.6
Real Retail Sales (YoY)	-4.5	-3.8	-4.0	-1.6	-0.7	-1.1	-0.5	-1.0	1.3	3.1	2.3	1.4
Real Retail Sales (% Change from Jan-20)	9.2	8.3	7.5	7.7	8.9	8.9	9.4	8.5	8.3	11.3	10.9	10.2

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

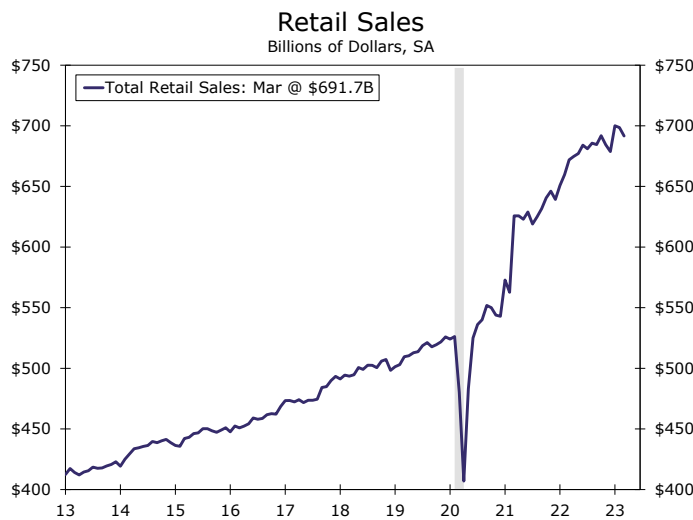
Source: U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Economics

January Surge Was Temporary, Spending Gradually Losing Momentum

Consumer spending lost momentum over the course of the first quarter with retail sales falling for a second straight month down 1.0% in March. But even with some payback after an unusually strong start to the year, the level of retail spend is still nearly 2% ahead of where it was in December (chart). More plainly, consumers continue to spend at an elevated level, though the momentum appears to be downshifting.

The main drivers of weakness continue to be retail categories that saw a large run up in spending throughout the pandemic and an unusually strong January surge in sales, like electronics (down 2.1% in March), clothing (-1.7%), autos (-1.6%) and furniture (-1.2%) (chart). Sales at gasoline stations were also weak, slipping 5.5%, and the level of gasoline sales is now more than 10% below where it was six months ago.

In cutting through some of the monthly volatility, control group sales slipped 0.3%. This measure excludes food services, building materials, gasoline and auto dealers from its calculation and is used by the BEA in estimating real personal consumption expenditures (PCE) in its GDP accounting. We estimate inflation-adjusted control group sales rose at a 6.2% average annualized rate the past three months, roughly consistent with our underlying expectations in our latest forecast that overall real PCE rose around a 4.4% annualized pace during the first quarter.



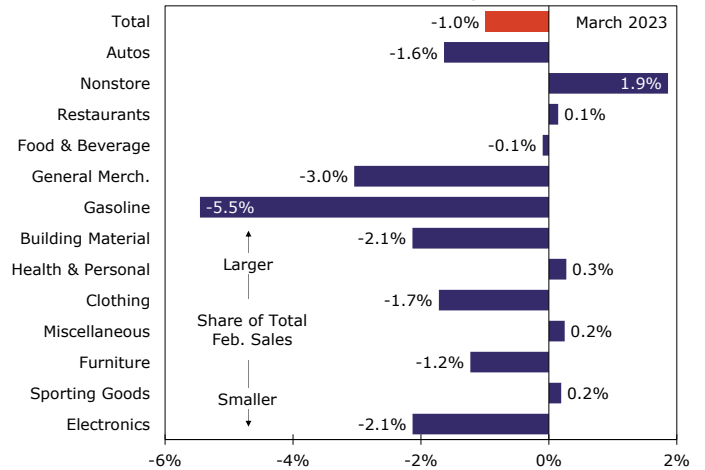
Source: U.S. Department of Commerce and Wells Fargo Economics

Food services, or restaurant sales, are the lone services-category we get in this release and the results are not encouraging. Restaurant sales rose just 0.1% in March, and considering consumer prices for food away from home rose 0.6% during the month, this implies real restaurant sales were negative. We'll get a full look at services-sector activity later this month in the personal income and spending report.

Overall, the March retail sales data demonstrate continued reversal after an unusually strong gain in January sales. Consumers' appetite continues to shift away from goods, particularly those that come with a high price tag or typically require financing. The rise in borrowing costs over the past year may be starting to bite consumers desire to take on credit card debt or purchase a new auto or appliance. Lost momentum and the slow end to the first quarter for retail positions for a weak second quarter of spending. We anticipate consumer spending continues to gradually lose momentum through Q2 before growth slips negative later this year.

Monthly Change in Retail Sales by Retailer

Month-over-Month Percent Change



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

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