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April Retail Sales: Rising Headline Sales Mask Underlying Shifts

- › Retail sales rose by 0.9 percent in April after rising 1.4 percent in March (initially reported up 0.5 percent)
- › Retail sales excluding autos rose by 0.6 percent in April after rising 2.1 percent in March (initially reported up 1.1 percent)
- › Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 1.0 percent in April

Total retail sales rose by 0.9 percent in April, a bit softer than our forecast of a 1.2 percent increase, with ex-auto sales up 0.6 percent, as our forecast anticipated, and control retail sales up 1.0 percent, slightly above our forecast of a 0.9 percent increase. Prior estimates of March retail sales were revised significantly higher across the board, which in part reflects the annual benchmark revisions to the retail sales data. It helps to keep in mind that retail sales are reported on a nominal basis, i.e., they are not adjusted for price changes. Higher prices coupled with Easter falling later into the year contributed to a rare increase in control retail sales on a not seasonally adjusted basis, with an increase of 0.5 percent. How rare, you ask (you did, didn't you?) – this is the first April increase in unadjusted control retail sales since 1998 and only the fourth in the life of the current data series which goes back to 1992. While sales increases were broadly based in April, there are indications of shifts in spending on goods, with necessities taking a greater share at the expense of discretionary spending on goods, though we'll caution that these shifts are more visible in the not seasonally adjusted data than in the seasonally adjusted data.

Sales increases were broadly based in April, led by a 2.2 percent increase in sales revenue at motor vehicle dealerships. Unit sales of new motor vehicles rose sharply in April, as did prices for new vehicles. This more than offset lower sales and lower prices for used motor vehicles. At the same time, sales at auto parts stores were up 2.0 percent in April. With renewed supply chain issues blunting the recent advances in motor vehicle production seen over recent months, unit sales of new vehicles may falter over coming months, which would weigh on the headline retail sales numbers. Sales by nonstore retailers were up 2.1 percent in April, continuing a run of solid monthly increases in 2022. Online sales account for roughly 90 percent of sales in the broader nonstore retailers category, but are reported with a one-month lag, but given the magnitude of the increase in the broader category, April no doubt saw a hefty increase in online sales. The continued strength of online sales reported in the retail sales data is interesting in light of reports of some portion of online spending having been displaced by increased visits to physical stores as

consumers are getting out and about to an increasing degree. While it is reasonable to think that some of the surge in online sales seen at the onset of the pandemic will be given back, the longer-term trend of online sales accounting for an increasing share of control retail sales will remain in place once these shorter-term shifts run their course. And, speaking of consumers getting back out and about, restaurant sales increased by 2.0 percent in April, following up on strong increases in March and February. This, however, is one instance in which price effects are in play, given the extent to which food prices have risen over recent months, with restaurant prices also reflecting higher costs of labor and shipping.

On the downside, gasoline station sales fell by 2.7 percent in April, which reflects the combination of lower pump prices and unfavorable seasonal adjustment; the decline in gasoline prices on a not seasonally adjusted basis was out of the ordinary for the month of April and, as such, was magnified by seasonal adjustment. There will be no such issues with the May data, given the extent to which retail gasoline prices have reversed course and risen sharply over recent weeks, and the recent increase in crude oil prices suggest plenty more pain at the pump to come as we get into the heart of the summer driving season. Grocery store sales are reported to have declined by 0.1 percent in April, with a larger decline in sales on a not seasonally adjusted basis. While that may seem at odds with significantly higher retail food prices, it could be that consumers are shifting their grocery purchases to discount retailers or warehouse (club) stores. Warehouse store sales roll up into the broad general merchandise stores category but are reported with a one-month lag, but it seems likely that the 2.8 percent increase in warehouse store sales in March was followed up by another sizable increase in April.

Though U.S. consumers are facing considerable headwinds, retail sales have held up well thus far. Still, it is worth being mindful of the shifts in spending patterns taking place – necessities versus discretionary, and goods versus services. With services not captured in the retail sales data, the BEA's more comprehensive measure of consumer spending will be a much more reliable guide to the state of consumers in the months ahead.

