ECONOMIC UPDATE
REGIONS
June 17, 2025

May Retail Sales: Bleak Headline Print, But Better Details

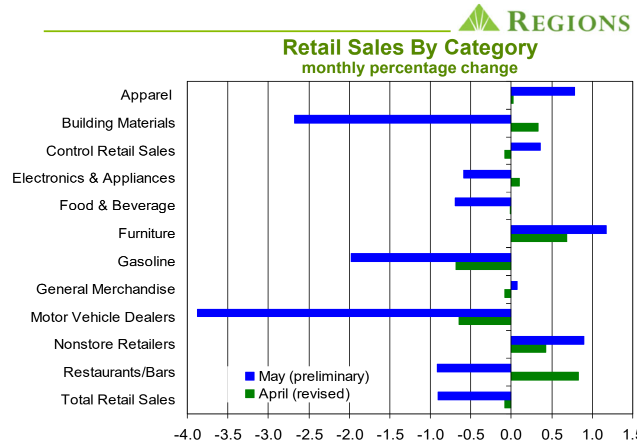
- Retail sales fell by 0.9 percent in May after falling 0.1 percent in April (originally reported up 0.1 percent)
- Retail sales excluding autos fell by 0.3 percent in May after being unchanged in April (originally reported up 0.1 percent)
- Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) rose by 0.4 percent in May

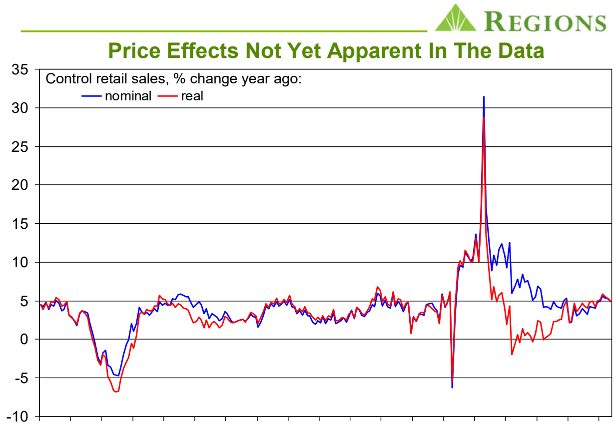
Total retail sales fell by 0.9 percent in May, a larger decline than both we (-0.8 percent) and the consensus (-0.6 percent) anticipated, while ex-auto sales were down 0.3 percent, falling short of our forecast (unchanged) and the consensus forecast (+0.2 percent). Of more significance is that control retail sales, a direct input into the GDP data on consumer spending on goods, rose by 0.4 percent, topping the 0.1 percent increase our forecast anticipated and the consensus forecast of a 0.3 percent gain. While there were mild downward revisions to the initial estimates of April total and ex-auto sales, there was a modest upward revision to the initial estimate of control group sales, now reported to have fallen by 0.1 percent in April rather than by 0.2 percent as first reported. As we anticipated, the stark dichotomy between total and control group sales stems from sizable declines in motor vehicle dealer revenue, building materials stores, and gasoline station sales, while the final component of the control group – restaurant sales – also declined, contrary to our expectations (note that BEA relies on alternative sources of sales in these categories in compiling total consumer spending). That control sales surprised us to the upside reflects sales at furniture stores, apparel stores, and sales by nonstore retailers having outperformed our forecasts. The sharp decline in motor vehicle sales in May largely reflects payback from consumers having pulled purchases forward to avoid tariff-related price increases later in 2025, which led to March and April seeing the fastest monthly sales rates in unit sales of new vehicles in four years. We do not think that payback to be complete and, as such, look for a further decline in unit sales in June. While that will again weigh on the headline retail sales number, control group sales will remain the best guide to underlying trends in consumer spending, which we think remain sturdier than is implied by the bleak May headline sales print.

On a not seasonally adjusted basis, control retail sales rose by 5.9 percent in May, a bit shy of our forecast but nonetheless not far off from the typical May increase. At the same time, the May seasonal factors were in several categories not quite as harsh as we had anticipated, which dressed up the seasonally adjusted estimates of May sales. In the seasonally adjusted data, sales were down in seven of the thirteen broad categories for which sales are reported. Sales revenue at motor vehicle dealers was down 3.9 percent which, as noted above, largely reflected a sharp decline in unit sales of new motor vehicles. It is also the case that prices of new motor vehicles have yet to reflect any tariff pass-through, though we anticipate that will change as we move through the summer months. Weaker pricing along with harsh seasonal adjustment helped push sales at gasoline stations down by 2.0 percent on a seasonally adjusted basis, while sales at building materials stores fell by 2.7 percent. Contrary to our expectations, restaurant sales fell by 0.9 percent, and while on the surface that may seem a sign of wavering consumers, the 6.3 percent in restaurant sales on a not seasonally adjusted basis suggests otherwise. Sales at grocery stores were down 0.7 percent and sales at electronics and appliance stores were down 0.6 percent. These categories stand out in that they are two areas in which the May CPI data show healthy price increases, and we'll further note that the not seasonally adjusted retail sales data show sizable increases in sales in May, meaning that tough seasonal adjustment makes May sales on a seasonally adjusted basis look worse than was the case. It is also worth noting that, as with new motor vehicles, electronics and appliances were categories in which consumers pulled purchases forward to avoid tariff-related price increases, the difference being that the payback in electronics and appliances has not, at least through May, thus far been as pronounced as with new vehicles.

To the upside, furniture store sales were up by 1.2 percent in May, while sales by nonstore retailers rose by 0.9 percent, better than the 0.6 percent increase built into our forecast, and apparel store sales were up by 0.8 percent. These increases are not gifts from seasonal adjustment, as the unadjusted data show sizable gains in these categories.

While there are some signs of payback from consumers having pulled purchases forward, there is as of yet scant evidence of tariff pass-through in goods prices. Real, or, adjusted for price changes, control sales were up 4.9 percent year-on-year as of May, easily ahead of the pre-pandemic trend rate and still in line with growth in nominal sales. If we are correct in anticipating upward pressure on core goods prices in the months ahead, growth in nominal and real control sales will begin to diverge.





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