

Retail Sales Up 0.1% in May, With Mixed Details

- **Retail sales rose 0.1% in May, with sales excluding autos and gasoline also up 0.1%. Retail sales were up 2.3% year-over-year.**
- **Sales were revised lower in April.**
- **Results were mixed across segments, with a big increase in auto sales and a big drop in gasoline sales.**
- **The fundamentals for consumer spending are generally positive, with the strong labor market a big plus.**
- **PNC expects consumer spending growth to slow this year due to high interest rates and a gradual easing in job gains, but remain positive.**

Retail sales increased 0.1% in May from April, according to the advance estimate from the Census Bureau. Sales were down 0.1% excluding motor vehicles and parts, and were up 0.1% excluding autos and gasoline. Control retail sales—sales excluding autos, parts, gasoline, food service, and building materials, and which go into nominal consumer spending in GDP—were up 0.4% over the month.

Retail sales were down 0.2% in April, revised lower from no change. Control sales fell 0.6% in April, revised lower from a 0.3% decline.

On a year-ago basis total retail sales were up 2.3% in May, down from 2.7% growth in April. Control sales were up 3.1% year-over-year in May, unchanged from April.

Sales of motor vehicles and parts were up a strong 0.8% in May, after falling 0.4% in April. Sales at gasoline stations dropped 2.2% in May with a big decline in gas prices.

The retail sales report for May was mixed. Sales increased modestly on the month; strong auto sales were a positive, but a drop in gasoline prices was a drag on nominal spending. Other segments were mixed. But control sales were up a solid 3.1% on a year-ago basis, even as inflation continues to slow.

PNC expects consumer spending and retail sales to increase throughout this year and into next, but at a slower pace than in 2023. The fundamentals for consumer spending are generally positive. The labor market remains strong, with good job gains, a low unemployment rate, and solid wage growth. Inflation is gradually slowing, and a big drop in gasoline prices heading into the summer driving season will be a positive. Rising household wealth, with gains in stock prices and home values, is also a positive, especially for upper-income households.

Gus Faucher
Chief Economist

Stuart Hoffman
Senior Economic Advisor

Kurt Rankin
Senior Economist

Ershang Liang
Economist

But some middle- and lower-income households are more stretched, with a slight uptick in consumer delinquency rates recently. High interest rates are also a drag, and will remain so until the Federal Open Market Committee starts to cut the federal funds rate, which will probably not happen until the end of the year. In addition, households need to increase their saving, which will be a drag on growth. And softer job growth will also weigh on retail sales and consumer spending growth later this year and into 2025.

Sales at restaurants and bars fell 0.4% in May; they were up 3.8% year-over-year. This follows gains of 14% in 2022 and 11% in 2023 as consumers resumed dining out as the pandemic receded. Conditions in the industry are returning to normal. Sales at furniture and home furnishing stores fell more than 1% in May, with sales of building materials down 0.8%; the softer housing market, with higher mortgage rates, is a drag on housing-related spending. Sales at grocery stores fell 0.4% with lower prices.

But sales at other segments increased. Sales at specialty stores were up almost 3% on the month, with sales of clothing and accessories up almost 1%. Sales at nonstore retailers (primarily online) were up 0.4%. Sales at general merchandise stores were up 0.1% in May.

PNC Economics
economics@pnc.com

Visit pnc.com/economicreports for more information from PNC Economics.