

US retail sales bounce as savvy consumers buy ahead of tariffs

Retail sales jumped as consumers brought forward purchases of 'big ticket' items to get ahead of feared tariffs. But with confidence plummeting on price, job and wealth concerns, the consumer will be less of a growth engine later in the year



US retail sales jumped in March, especially on 'big ticket' items ahead of feared tariffs

1.4% MoM jump in retail sales in March

Spending surge to give way to a likely slump

US retail sales jumped 1.4% month-on-month in March, exactly in line with consensus. It's clear from high frequency reports that many consumers in the market for 'big ticket' imported items brought forward their purchases to get ahead of feared tariffs. We already knew that the volume of auto sales surged nearly 11% last month and this translated into a 5.3% MoM jump in value of sales in today's report. Electronics didn't bounce as much as we had suspected it might though,

rising a paltry 0.8% MoM while internet sales rose just 0.1%.

The 'control group' which excludes volatile items such as autos, building supplies (+3.3% MoM – metals subject to tariffs), gasoline (-2.5% on falling fuel prices) and dining out (+1.8% on better weather) was softer at 0.4% MoM growth versus the 0.6% consensus. February's 'control' number was revised a little higher from 1% to 1.3%, but given this metric correlates strongly with broader consumer spending patterns that feed into GDP it is a little disappointing. Remember that these numbers are all month-on-month changes in the nominal dollar value of sales. They need to be deflated by the price index that will give a smaller volume growth figure to be plugged into GDP estimates.

The reports suggests that while we are likely to avoid a negative first quarter GDP print, it will only just scrape above zero and the potential rebound in the second quarter is unlikely to be huge given tariffs are soon going to be noticed at a time when consumer confidence is under pressure on three fronts: 1) anticipation of squeezed spending power after tariffs push up prices, 2) worries about a weakening jobs market amidst government spending cuts and 3) declining wealth after the sell-off in equity and bond markets.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

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