

US: Recovering retail sales underline positive consumer story

Retail sales rebounded in March, thanks to tax refunds. Fundamentals remain good, supporting our healthy prognosis for the sector



0.6% MoM

Better than expected

US Retail sales growth in March

Up from -0.1% in February, beats the 0.4% consensus

The March reading for US retail sales has come in slightly better than expected, rebounding 0.6% MoM versus the consensus 0.4% forecast. Sales in February (-0.1%) were held back by delays to the distribution of tax refunds. However, they have since been disbursed and clearly supported spending in today's report, especially for big-ticket items such as autos (+2% MoM) and furniture (+0.7%).

There was a bit of softness in apparel, building materials and sporting goods, but these

components have been pretty choppy in recent months, swinging from positive to negative and back. Health and personal care rebounded +1.4%MoMN after four consecutive monthly falls previously. Excluding some of the more volatile items, the “control” group, which better matches consumer spending within GDP, rose 0.4%MoM. This was in line with expectations.

Overall, consumer spending has been disappointing in 1Q18, which is partially weather-related, but today’s report suggests the slowdown was transitory. We remain upbeat for the coming months. Consumer confidence is high, supported by strong employment gains, rising wages and tax cuts. As such we look for a more positive contribution from consumer spending to overall GDP growth in 2Q18.

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