Solid May Retail Sales Suggest Upside for Q2 Consumption

Retail sales rose 0.5% in May. Upward revisions to prior months’ data, and a standout gain in control group sales, not only make this a solid report but also suggest consumer spending is on pace to have a solid Q2 gain.

Digging Into the Details
- The gain in May sales was broad-based, with 11 of the 13 business categories seeing sales advance over the month. Only grocery stores and miscellaneous retailers sales retracted.
- As expected, motor vehicle and parts dealers helped lift the headline with a 0.7% rise in sales. This is consistent with May’s gain in vehicle sales to dealers, seen in a previous release, and with the renewed gain in consumers’ desire to buy a vehicle.

Upside to Second Quarter Growth
- Excluding volatile components such as food, gas, autos and building materials, control group sales—a good proxy for consumer spending—rose 8.5% on a three-month annualized rate. This is the fastest pace since 2006. The stronger-than-expected gain and upward revision to April suggests some upside risk to our 2.9% call for Q2 consumption growth. After a volatile few months, consumption looks back on track.

Source: University of Michigan, U.S. Department of Commerce and Wells Fargo Securities