

## Big Jump in Retail Sales in March as Consumers Bought Autos Ahead of Tariffs

- Retail sales rose 1.4% in March, the largest increase in more than two years.
- Much of the increase came from a 5.3% jump in auto sales as consumers rushed to purchase ahead of tariffs. Outside of autos, growth in retail sales was more modest.
- Auto sales will decline in April with 25% tariffs, and broad tariffs will be a significant drag on spending as long as they remain in effect.
- Outside of tariffs the fundamentals for consumer spending are mixed.

Retail sales rose 1.4% in March from February, according to the advance report from the Census Bureau. Retail sales excluding autos and parts were up 0.5%, and excluding autos and gasoline were up 0.8%. Control sales—sales excluding food service, autos, gasoline, and building materials, and which go into nominal consumer spending in GDP—were up 0.3% in March.

Most of the gain came from auto sales; sales of motor vehicles and parts jumped 5.3% over the month as consumers rushed to buy vehicles ahead of 25% tariffs on imported vehicles that started on April 3. The increase in total retail sales and the increase in auto sales were both the largest monthly gains since January 2023.

On a year-ago basis total retail sales rose 4.6%, with sales excluding autos up 3.6% and sales excluding autos and gasoline up 4.5%. Control retail sales were up 4.6% in March from a year earlier, near the pace of recent month. Auto sales were up 8.8% year-over-year in March, the biggest gain since February 2022 when the economy was recovering from the pandemic.

While consumer confidence is falling in early 2025, retail sales rose at the strongest pace in more than two years in March. That will not be repeated in the months ahead, however. Much of the gain came from very strong auto sales as consumers hurried to buy vehicles ahead of tariff-induced price increases. Auto sales will drop sharply in April as consumers who bought a vehicle last month will not need to purchase again. And with tariffs now in effect on autos and many other imported goods, higher prices will discourage shoppers. Although higher prices will provide a boost to retail sales—the numbers are not adjusted for inflation—the higher prices will also lead to much weaker sales volumes. Unless the tariffs are quickly reversed, unit sales will suffer and real (inflation-adjusted) consumer spending will decline.

Outside of tariffs the drivers of retail sales are mixed. The labor market remains solid, with slowing but moderate growth in both jobs and wages. Interest rates are much higher than they were a few years ago. In particular longer-term rates have moved higher in April as foreign buyers have lost confidence in US Treasuries with the tariffs; this will be a further drag on auto and housing-related sales. The correction in the stock market may deter some spending, particularly for high-income households, but rising home prices and

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housing wealth are positives for consumers who own their homes. Consumer debt burdens, in aggregate, are low relative to incomes. But the savings rate is lower than it was before the pandemic, and a need to increase saving, particularly with consumer confidence falling, may weigh on near-term spending.

Results were mixed across segments in March. Sales of building materials rose more than 3% on the month, perhaps also because of consumers attempting to get ahead of tariffs. But sales of furniture and home furnishings, many of which are now subject to tariffs, fell 0.7% on the month. Sales at specialty stores rose 2.4%, those at general merchandise stores rose 0.6%, clothing sales were up 0.4%, and grocery sales were up 0.2%. Nonstore sales, primarily online, rose a scant 0.1%. Sales at gasoline stations fell 2.5% with lower gas prices. One positive is that restaurant and bar sales rose a solid 1.8% in March, with sales up almost 5% from a year earlier; this is an area where consumers cut back during periods of economic stress.

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