

Retail Sales Down 1% in May, But Details Are Better; Consumer Spending Growth to Slow in 2025

- **Retail sales fell almost 1% in May, with big drops for autos and gasoline.**
- **Sales excluding autos and gasoline fell 0.1%.**
- **Sales were mixed across other segments in May.**
- **Consumer spending growth will remain positive this year, but will slow from 2023 and 2024 as the drag from tariffs increases.**

Retail sales fell 0.9% in May from April, according to the advance estimate from the Census Bureau. The decline was led by a big 3.5% drop in sales of autos and parts, and gasoline sales fell 2.0% on lower prices. Sales excluding autos and gasoline were down a modest 0.1%. Control sales—sales excluding autos, gasoline, building materials, and food service, and which go into nominal consumer goods spending in GDP—rose 0.4% in May. These results are not adjusted for inflation; that is, they include changes in both prices and volumes.

Headline retail sales were revised lower in April, to a decline of 0.1% from the initially reported increase of 0.1%. Headline sales growth was 1.5% in March, including a big 5.3% increase for autos and parts, as consumers rushed to purchase ahead of tariffs.

Retail sales were mixed in May. The headline decline came primarily from lower auto sales and lower gasoline prices, although there were also declines in some other segments. Many households made vehicle purchases earlier in the year to get ahead of tariffs, weighing on sales in April and May. Gasoline sales fell in May because of lower gas prices; crude oil prices are down over the past couple of months as the big increase in U.S. tariffs has weighed on expectations for global economic growth. Sales at bars and restaurants fell 0.9% over the month; this is often a leading indicator, as consumers cut back on dining out as they become more nervous about the economy. But sales growth for bars and restaurants was strong in March and April, and the May decline could simply be a return to trend. Other segments held up in May, and control sales were up a decent 0.4% for the month.

Consumer spending will continue to increase in 2025, but growth will be slower than in 2023 and 2024. Higher prices from tariffs will be a drag, and even goods segments not directly hit by tariffs will see weaker growth as the tax increase from tariffs weighs on overall spending. Consumer confidence improved somewhat in May, after big drops in March and April, as the Trump administration reduced some of the most onerous tariffs. But confidence is still lower than it was in the beginning of 2025. High interest rates, slowing job and wage growth, and a soft housing market will also be drags on consumer spending this year. But with job gains continuing this year, albeit at a slower pace, and the unemployment rate still low, consumer spending should manage to

avoid an outright decline in 2025. If the labor market does turn south, however, consumer spending would quickly follow. Retail sales are likely to increase in June as the conflict in the Middle East has raised oil prices, and gasoline prices will follow.

On a year-ago basis headline retail sales were up a moderate 3.3%, with sales excluding autos up 3.5% and sales excluding autos and gasoline up 4.6%. Control retail sales increased a solid 5.0% from a year earlier.

On a monthly basis sales of home furnishings were up 1.2% even as the housing market remains soft. Sales at nonstore retailers (primarily online) were up 0.9%, sales at general merchandise stores rose 0.1%, sales at specialty stores were up 1.3%, and clothing store sales were up 0.8%. Monthly sales fell 0.8% for grocery stores, were down 0.6% for electronics and appliances stores, and dropped 2.7% for building materials.

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