

- **Retail sales increased 0.4% in April, following declines in February and March.**
- **Retail sales have been flat over the past half-year.**
- **The drags on consumer spending continue to accumulate.**
- **PNC expects a mild recession, including a decline in consumer spending, starting later this year.**

Retail sales increased 0.4% in April from March, slightly weaker than the consensus expectation for a 0.5% increase. Sales were up 0.4% excluding motor vehicles and parts, and up 0.5% excluding autos, parts, and gasoline. Control sales—sales excluding autos, parts, gasoline, restaurants, and building materials, and which go into nominal consumer spending in GDP—rose 0.6% in April.

On a year-ago basis overall retail sales growth was 1.6% in April, although growth was 2.1% excluding autos and parts, and 4.3% excluding autos, parts, and gasoline. Control sales were up 4.2% year-over-year in April, down from 6.5% growth at the end of 2022.

There was a downward revision to retail sales in March, with sales dropping 0.7% over the month, instead of the initially reported 0.6% decline. Sales also fell 0.7% in February, but jumped 2.8% in January. So far in 2023 sales are running close to their levels at the end of last year. Consumer spending growth is softening due to several drags. Inflation has been a weight on household spending, and slowing inflation this year is weighing on the nominal value of retail sales. Other headwinds include softening but solid job and wage gains, higher interest rates, declining household wealth due to falling home values and stock prices, and a weakening in home-related purchases as the housing market contracts. In addition, consumers bought a lot of goods in the early stages of the pandemic recovery, leaving less need to purchase goods now.

Results were mixed across segments in April. Sales at gasoline stations fell 0.8% despite a rise in gas prices, and sales were down more than 3% at specialty stores. There were also declines for furniture and home furnishings (down 0.7%), electronics and appliances (down 0.5%), clothing (down 0.3%), and food and beverages (down 0.2%). But restaurant sales growth was solid at 0.6%, and there were also increases for motor vehicles and parts (0.4%), building materials (0.5%), general merchandise (0.9%), and non-store merchandise (primarily online purchases, up 1.2%).

PNC expects retail sales growth to slow further in the near term as the labor market continues to soften and as interest rates remain elevated, and then decline later this year as the U.S. economy enters into a mild recession. Retail sales should pick up in 2024 as the Federal Reserve starts to cut interest rates and an economic recovery begins.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
<b>Fed Funds Rate Target Range Mid-Point</b> (after the FOMC meeting on 6/14/23)	5.13-5.38%	5.13%	5.13%	We expect the FOMC to “pause” at their June 14 meeting and hold the funds rate at 5.00-5.25% until rate cuts start early in 2024.
<b>Apr New Home Sales (5/23, Tuesday)</b>	0.650 – 0.700M	0.669M	0.683M (Mar)	Down to 0.675 million.
<b>Q1 GDP Second Report (5/25, Thursday)</b>	0.9 – 1.2%	1.1%	1.1% (Q1)	Revised down to 1.0%.
<b>Q1 Chain Price Index Second Report (5/25, Thursday)</b>	3.4 – 4.2%	4.0%	4.0% (Q1)	Unrevised at 4.0%.
<b>Initial Claims, Wk of 5/20/23 (5/25, Thursday)</b>	240K – 255K	243K	242K (5/13/23)	Down to 240K.
<b>Apr Durable Goods Orders (5/26, Friday)</b>	-2.5 to 0.0%	-1.0%	3.2% (Mar)	Down 1.3%, due to a sharp drop in volatile civilian aircraft orders. Shipments down 0.1%.
<b>Apr Personal Income (5/26, Friday)</b>	0.2 – 0.6%	0.4%	0.3% (Mar)	Up 0.5%.
<b>Apr Personal Consumption Expend. (5/26, Friday)</b>	0.1 – 0.6%	0.4%	0.0% (Mar)	Up 0.6% on strength in vehicle sales and entertainment, travel and dining services. PCE total and core price index both up 0.3% and up 4.3% and 4.6% Y/Y, respectively.
<b>May U Mich Consumer Sentiment (final) (5/26, Friday)</b>	57.7 – 63.5	58.0	57.7 (May prelim)	Up to 58.5.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
<b>May Consumer Confidence (5/30, Tuesday)</b>	95.2 – 100.0	99.0	101.3 (Apr)	Down to 100.
<b>May ADP Employment Survey (6/1, Thursday)</b>	150K – 235K	160K	296K (Apr)	Up 150,000.
<b>Q1 Nonfarm Productivity (Revised) (6/1, Thursday)</b>	-2.8 to -2.5%	-2.7%	-2.7% (Q1)	Revised to down 2.8%.
<b>Q1 Unit Labor Costs (6/1, Thursday)</b>	6.1 – 6.4%	6.3%	6.3% (Q1)	Revised to up 6.4%.
<b>May ISM (Manufacturing) (6/1, Thursday)</b>	46.0 – 48.2	47.0	47.1 (Apr)	Up to 48.2. Strength in vehicle manufacturing lifted the index but still below 50 (contraction territory) for the seventh straight month.
<b>Apr Construction Spending (6/1, Thursday)</b>	0.1 – 0.4%	0.2%	0.3% (Mar)	Up 0.2% on higher public infrastructure spending.
<b>May Nonfarm Payrolls (6/2, Friday)</b>	150K – 225K	180K	253K (Apr)	Up 190,000. The Writers strike subtracted close to 12,000.
<b>May Private Nonfarm Payrolls (6/2, Friday)</b>	130K – 200K	160K	230K (Apr)	Up 160,000.
<b>May Manufacturing Payrolls (6/2, Friday)</b>	5K – 10K	5K	11K (Apr)	Up 5,000.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
<b>May Unemployment Rate (6/2, Friday)</b>	3.4 – 3.5%	3.5%	3.4% (Apr)	Edges up to 3.5% on a gain in labor force participation.
<b>May Average Hourly Earnings (6/2, Friday)</b>	0.3 – 0.4%	0.3%	0.5% (Apr)	Up 0.4% and steady at 4.4% Y/Y.
<b>May Hours Worked (6/2, Friday)</b>	34.4 – 34.4hrs	34.4hrs	34.4hrs (Apr)	Unchanged at 34.4 hours.

## Monthly Calendar of Economic Data: May/June 2023

### May 23

New Home Sales	
Feb	623K
Mar	683K
Apr	

### May 25

Gross Domestic Product		
1 <sup>st</sup> Qtr (2 <sup>nd</sup> estimate)		
	Real GDP	Price Index
Q2'22	-0.6	9.0
Q3'22	3.2	4.4
Q4'22	2.6	3.9
Q1'23(1 <sup>st</sup> )	1.1	4.0
Q1'23(2 <sup>nd</sup> )		

### May 26

Durable Goods		
	Total	Ex-Transp.
Feb	-1.2%	-0.3%
Mar	3.2	0.3
Apr		

Personal		
	Income	Spending
Feb	0.3%	0.1%
Mar	0.3	0.0
Apr		

Unemployment Claims (000)				
Jan	Feb	Mar	Apr	May
205	220	245	228	264
200	216	230	240	242
194	217	247	246	
199	221	246	229	
			242	

May U Mich Consumer Sentiment (final)

### May 30

CB Consumer Confidence			
	Total	Current	Expect
Mar	104.0	148.9	74.0
Apr	101.3	151.1	68.1
May			

### May 31

May Chicago PMI

Case Shiller HPI		
20-City Composite (SA)		
	M/M	Y/Y
Jan	-0.4	2.6
Feb	0.1	0.4
Mar		

## Monthly Calendar of Economic Data: May/June 2023

### June 1

Nonfarm Productivity & Costs (Q1 Revised)		
	Productivity	Unit Labor Costs
Q1'22	-7.4	12.7
Q2'22	-4.1	10.2
Q3'22	1.2	6.9
Q4'22	1.6	3.3
Q1'23	-2.7	6.3
Q1'23 (r)		

ISM Manufacturing Index	
Mar	46.3
Apr	47.1
May	

Construction Spending	
Feb	-0.3%
Mar	0.3
Apr	

	Autos		Light	
	Dom	For	Truck	Total
Mar	2.2	0.8	11.8	14.8
Apr	2.5	0.8	12.6	15.9
May				

May ADP Employment Survey

### June 2

	U. Rate	Jobs (000)
Mar	3.5%	+165
Apr	3.4	+253
May		

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