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TD Economics

Data Release: Retail sales round out the first quarter on a weak note

- Retail sales fell 0.2% in March, on par with expectations. Unfortunately, this came off a downward revision to February (now reported at -0.3%, from a previous +0.1%).

- Sales at motor vehicle & parts dealers (-1.2%) were the main source of drag, with the ex-auto sales flat (0.0%) on the month. Gasoline station spending was also lower (-1.0%). Excluding autos and gas, retail sales were up 0.1% on the month

- The 'control group' used in calculating GDP (excluding gas, autos, building materials, and food services) was up 0.5% on the month, beating expectations, but coming off a downwardly revised February print (now -0.2% from +0.1% previously)

Key Implications

- Revisions were the main story in this report, taking a positive number in February and turning it negative. Even prior to this report, real consumer spending growth looked to decelerate sharply in the first quarter. We are now tracking growth of just 0.6% on both real consumer spending and real GDP.

- Retail sales are losing some of their luster as a leading indicator, due in part to changes in consumer behavior that have pushed sales online from traditional bricks and mortar. With more information we may find that consumer spending is not quite as weak, just taking place in different venues that it has in the past.

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