

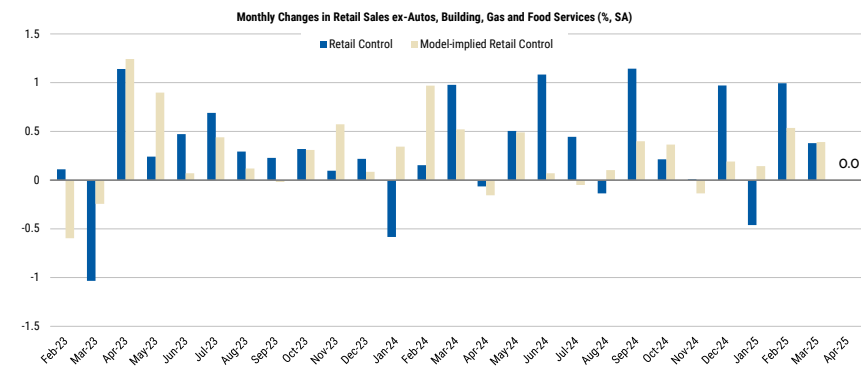
May 12, 2025 04:21 PM GMT

US Economics | North America

# US Retail Sales Tracker: Falling Flat

We forecast headline retail sales and control group sales stalled in April. Our forecasts are consistent with real consumption at 1½ to 1¾% growth (a.r.) in 2Q.

Exhibit 1: Monthly changes in Retail Control sales



Source: Census Bureau, Morgan Stanley Research

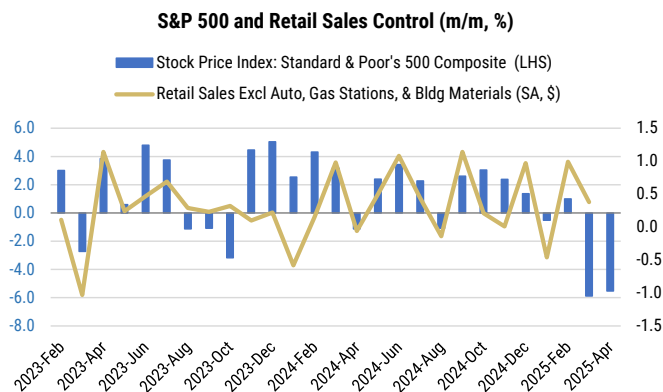
MORGAN STANLEY & CO. LLC		
Michael T Gapen		
Chief US Economist		
Michael.Gapen@morganstanley.com	+1 212 761-0571	
Sam D Coffin		
Economist		
Sam.Coffin@morganstanley.com	+1 212 761-4630	
Arunima Sinha		
Global Economist		
Arunima.Sinha@morganstanley.com	+1 212 761-4125	
Heather Berger		
Economist		
Heather.Berger@morganstanley.com	+1 212 761-2296	
Diego Anzoategui		
Economist		
Diego.Anzoategui@morganstanley.com	+1 212 761-8573	
Lenoy Dujon		
US/Canada Economist		
Lenoy.Dujon@morganstanley.com	+1 212 761-2779	

# Falling Flat

We forecast no change in retail sales in April, with both headline and control sales flat on a monthly basis. Among the determinants of our forecast, the proxy for labor market income grew, but the monthly pace was slower in April (+0.2% m/m) than in February and March (which averaged 0.5%). Control group sales were also strong in both February and March, and we expect a slowdown from the earlier pace.

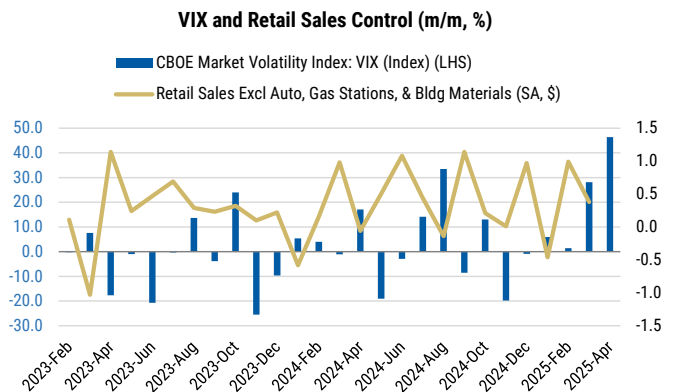
Consumers may still be front-loading their purchases and the overall transactions data has remained solid. So we do not expect a reversal of the past few months, but we do expect sales did not rise further. The monthly April data also saw large downward moves in the S&P 500 and increases in stock market volatility. This could weigh on spending in April: the correlation between changes in the S&P 500 levels as well as VIX with retail sales control group is about 0.3 (2023-2025), more than twice the correlations seen during the 2017-19 tariff increases. Seasonal factors were a small positive factor in our retail control forecast.

**Exhibit 2:** Changes in S&P 500 and retail sales control group show a positive correlation over 2023-25



Source: S&P, Census, Morgan Stanley Research

**Exhibit 3:** Changes in VIX and retail sales control group show a negative correlation over 2023-25



Source: CBOE, Census, Morgan Stanley Research

In autos, we expect sales fell 1.0% in April, though this only reverses part of the large pickup in March. We expect another strong month of restaurant sales, +1.0% m/m. We expect building material sales were flat in April after the 3.3% m/m increase in March.

Data in line with our forecasts would be consistent with flat real consumer spending in April. However, the strong finish to 1Q spending boosts 2Q real spending considerably: if February and March are unrevised and April through June are flat on a monthly basis, real consumption would rise at a 2% q/q annual rate in 2Q. We expect softer than that as higher prices erode purchasing power in May and June: real consumer spending rising at a 1 ½% to 1 ¾% pace in 2Q.

**Exhibit 4:** Retail Sales Dashboard

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	
										MS	Consensus
Retail & food services	1.2	-0.2	0.8	0.6	0.6	0.8	-0.9	0.0	1.5	0.0	0.0
ex autos	0.5	-0.2	0.9	0.3	0.0	0.7	-0.3	0.4	0.6	0.2	0.3
Control-group	0.4	-0.1	1.1	0.2	0.0	1.0	-0.5	1.0	0.4	0.0	0.2
Autos	4.2	-0.4	0.2	2.0	3.4	1.0	-3.3	-1.5	5.3	-1.0	
Gasoline	0.9	-1.3	-1.3	-0.1	0.1	2.0	1.1	-0.5	-2.4	0.2	
Building Materials	1.1	-0.1	1.0	0.7	-0.4	-1.5	-1.8	-0.5	3.3	0.0	
Restaurants	0.4	0.4	1.1	0.7	0.3	0.0	0.2	-1.0	1.9	1.0	

Source: Census Bureau, Morgan Stanley Research forecasts

**"Control" Retail Sales & GDP Tracking**

Control-group retail sales, which is retail sales excluding food services, autos, gas, and building materials, includes all of the retail sales components that feed through into the spending estimates for goods consumption in GDP. Also, food services affects our services consumption tracking. Revisions to retail sales data also feed through into our current-quarter tracking of consumption.

## Other US Economics Research

[FOMC Reaction: Awaiting Further Clarity \(07 May 2025\)](#)

[Student Loan Repayments: Expectations and Implications \(05 May 2025\)](#)

[US Economics Weekly: The data says the Fed should wait \(02 May 2025\)](#)

[Are we Giving the Consumer Too Much Credit? \(01 May 2025\)](#)

[Tracking tariffs' inflationary impulse \(30 Apr 2025\)](#)

[Still living on the edge \(10 Apr 2025\)](#)

[Wealth effects and consumption dynamics \(04 Apr 2025\)](#)

[The Consumer Diaries \(18 Mar 2025\)](#)

[Immigration and the macroeconomy \(20 Feb 2025\)](#)

[Consumer Chartbook 1Q 2025 \(13 Feb 2025\)](#)

## Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. LLC, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., and/or Morgan Stanley Canada Limited. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. LLC, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., Morgan Stanley Canada Limited and their affiliates as necessary.

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at [www.morganstanley.com/researchdisclosures](http://www.morganstanley.com/researchdisclosures), or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

## Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at [www.morganstanley.com/institutional/research/conflict/policies](http://www.morganstanley.com/institutional/research/conflict/policies). A Portuguese version of the policy can be found at [www.morganstanley.com.br](http://www.morganstanley.com.br)

## Important Disclosures

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A. located at Av. Brigadeiro Faria Lima, 3600, 6th floor, São Paulo - SP, Brazil; and is regulated by the Comissão de Valores Mobiliários; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V. which is regulated by Comisión Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Bank Asia Limited; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Bank Asia Limited, Singapore Branch (Registration number T14FCO118); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited having Corporate Identification No (CIN) U22990MH1998PTC115305, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (SEBI Stock Broker Registration No. INZ000244438), Merchant Banker (SEBI Registration No. INM000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-567-2021) having registered office at Altimus, Level 39 & 40, Pandurang Budhkar Marg, Worli, Mumbai 400018, India; Telephone no. +91-22-61181000; Compliance Officer Details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: [tejarshi.hardas@morganstanley.com](mailto:tejarshi.hardas@morganstanley.com); Grievance officer details: Mr. Tejarshi

Hardas, Tel. No.: +91-22-61181000 or Email: msic-compliance@morganstanley.com. Morgan Stanley India Company Private Limited (MSICPL) may use AI tools in providing research services. All recommendations contained herein are made by the duly qualified research analysts; in Canada by Morgan Stanley Canada Limited; in Germany and the European Economic Area where required by Morgan Stanley Europe S.E., regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin) under the reference number 149169; in the United States by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, disseminates in the UK research that it has prepared, and research which has been prepared by any of its affiliates, only to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) may otherwise lawfully be communicated or caused to be communicated. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and A2X (Pty) Ltd. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Indicators and trackers referenced in Morgan Stanley Research may not be used as, or treated as, a benchmark under Regulation EU 2016/1011, or any other similar framework.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA) or by Morgan Stanley & Co. International plc (ADGM Branch), regulated by the Financial Services Regulatory Authority Abu Dhabi (the FSRA), and is directed at Professional Clients only, as defined by the DFSA or the FSRA, respectively. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria of a Professional Client. A distribution of the different MS Research ratings or recommendations, in percentage terms for Investments in each sector covered, is available upon request from your sales representative.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

Registration granted by SEBI and certification from the National Institute of Securities Markets (NISM) in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.