

Rising Prices Drive April Retail Sales

U.S. consumers curtailed their spending last month, although the overall pace was still historically solid and a bit better than expected. Advance retail sales rose +0.5% in April following a revised +1.6% March increase. A +2.8% rise in gasoline station receipts (due entirely to higher gas prices) accounted for over 40% of the headline increase. When this inflation-tinted category is excluded, sales were up just +0.3%. Other sales categories contributing to the April gain included grocery stores (+0.7%) and eating and drinking establishments (+0.6%), both reflecting higher prices rather than increased volume. Calculations by the Federal Reserve Bank of Chicago show inflation-adjusted sales growth unchanged in April after a -0.1% adjusted decline in March.

The so-called retail sales *control group*, which excludes sales at auto dealerships, gas stations, building materials stores and food service establishments, rose +0.5% last month, slightly above the +0.3% median forecast. Since control group sales feed into the GDP calculation, it appears the second quarter has begun on a sluggish note.

There were several unusual factors influencing data during the past two months. The early Easter holiday pulled sales forward in March at the expense of April, while larger than normal tax refunds contributed additional spending capacity to both months.

This report, which is unlikely to have a market impact one-way-or-another, suggests that Americans may be starting to feel the pinch of higher prices. The tax refund sugar high is expected to fade in the coming months, implying reduced ability to spend as the summer approaches.

In other news this morning, U.S. import prices for April rose +1.9%, the most since 2022, continuing the recent string of hot inflation numbers. Ultimately, this price pressure will influence spending, GDP growth and Fed policy. Much of the other economic data at this point is mostly noise.

Market Indications as of 9:17 A.M. Central Time

DOW	Up 303 to 49,996 (HIGH: 50,188)
NASDAQ	Up 118 to 26,520 (NEW HIGH)
S&P 500	Up 29 to 7,473 (NEW HIGH)
1-Yr T-bill	current yield 3.78%; opening yield 3.77%
2-Yr T-note	current yield 3.98%; opening yield 3.98%
3-Yr T-note	current yield 4.02%; opening yield 4.02%
5-Yr T-note	current yield 4.11%; opening yield 4.11%
10-Yr T-note	current yield 4.45%; opening yield 4.47%
30-Yr T-bond	current yield 5.01%; opening yield 5.03%

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