

# Consumers pull back on big-ticket purchases

## Article

**The news:** US retail sales growth slowed to 2.9% year-over-year (YoY) in March, per the US Commerce Department's monthly report. Excluding auto and gas, sales rose 6.0% YoY.

- That's a slowdown from February (5.4% YoY, or 7.9% YoY excluding auto and gas) and January (7.7% YoY, or 9.0% YoY excluding auto and gas).
- Total sales for the first three months of the year were up 5.4% YoY.

**Feeling inflation:** While inflation eased to 5.0% YoY (or 5.6% excluding food and energy) in March, it still remains stubbornly high.

- **Consumer sentiment remained essentially unchanged in March** as it hovers at 3% below a year ago, but 27% above the all-time low from last June, [per](#) the University of Michigan. But those numbers are slightly deceiving because they paper over an uptick in sentiment among lower-income consumers and a dip among those with higher incomes.
- **Credit card balances soared in Q4**, [per](#) the New York Federal Reserve Bank, and many younger borrowers are struggling to make their payments. That helps explain why few consumers are buying big-ticket items such as vehicles (up 0.1% YoY), furniture (down 2.4% YoY), and electronics (down 10.3% YoY).
- **US consumers' year-ahead inflation expectations are up for the first time since October 2022**, [per](#) the New York Fed. Near-term inflation expectations increased 0.52 percentage points to 4.7%. That's the largest jump in one-year inflation expectations since March 2022.

Those inflation expectations may be right as [OPEC+](#) recently announced plans to cut oil production, which will cause gas prices to spike and drive consumers to pull back even more.

**Slowing growth:** Slower growth appears to be the [new normal](#). Our [US Retail Sales Forecast](#) suggests that growth is slowing. US retail sales will hit \$7.334 trillion this year, according to our forecast, a growth of 3.3% YoY, down from 8.1% YoY last year.

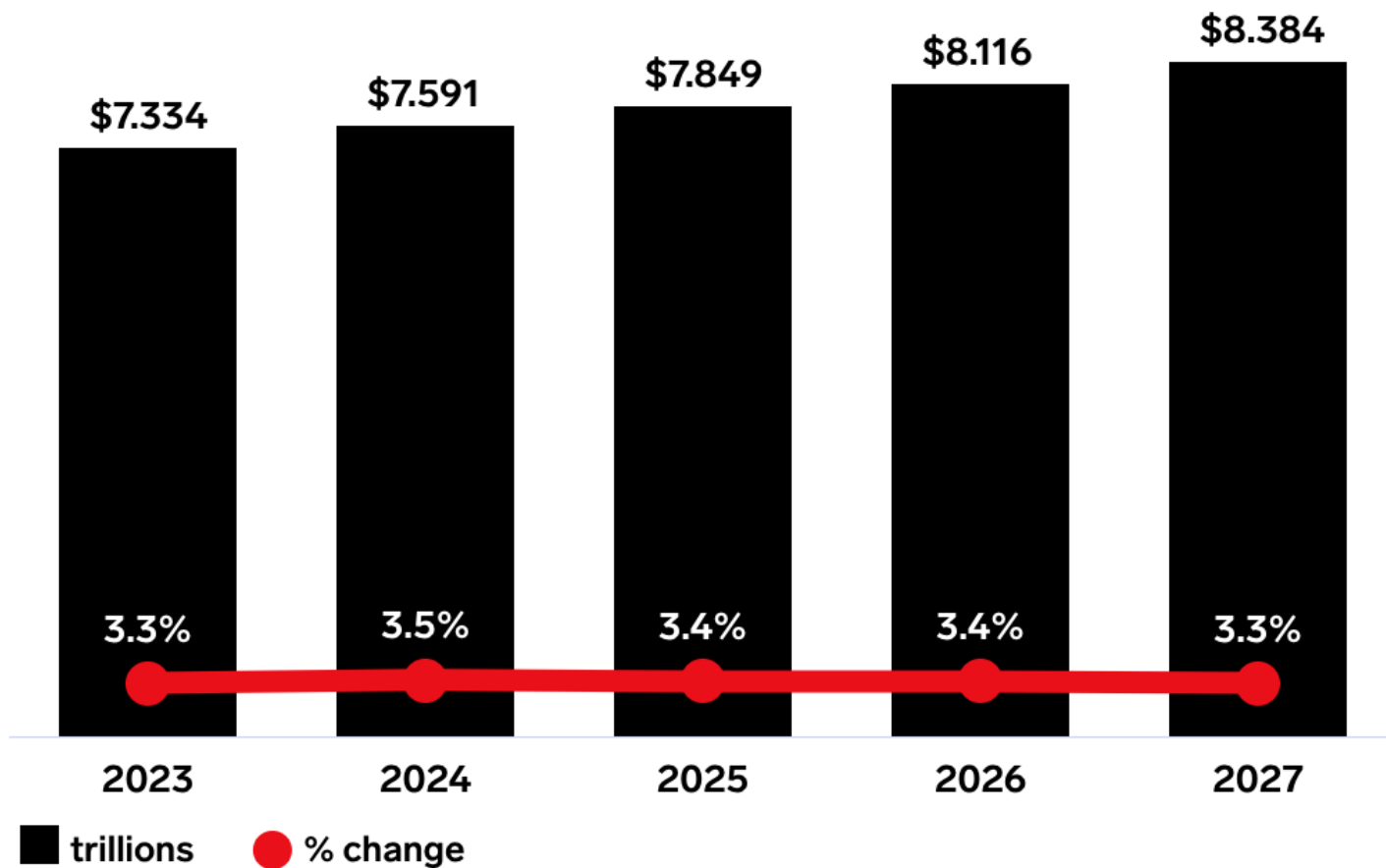
- The National Retail Federation similarly expects growth to moderate with its [forecast](#) of 4% to 6% growth (the two forecasts have different methodologies, most notably with NRF excluding auto dealers and gasoline stations).

**The big takeaway:** Looking at the YoY retail sales numbers over the first three months of the year, you see a clear trend toward slowing growth.

- That isn't surprising given that consumers feel the strain of inflation and high borrowing costs.
- We expect those trends to continue as consumers pull back on discretionary purchases.

## Retail Sales

US, 2023-2027



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: eMarketer, February 2023

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