

# US retail sales will grow 2.9% this year

## Article

**The forecast:** US retail sales will grow 2.9% year-over-year (YoY) this year to \$7.303 billion, per our [US Total Retail Sales forecast](#). We expect growth to accelerate to 3.5% next year.

- That modest growth reflects a complicated post-pandemic environment in which the labor market remains strong, but consumer spending patterns have shifted from goods to services and inflation continues to weigh on consumers.

**The metrics:** It can be hard to make sense out of the mixed signals coming from US government agencies and other sources.

- **Consumers have money to spend.** The tight labor market pushed up [personal income](#) 0.4% month-over-month (MoM), according to a US Commerce Department report, while another recent [report](#) noted that workers' buying power increased for the first time in two years in May.
- **They're feeling increasingly optimistic.** US consumer confidence reached its highest point in 18 months in June, [according](#) to the Confidence Board, and the [University of Michigan's measure](#) found a consensus improvement across all demographic groups.
- **But they're losing steam—and focused on saving.** Consumer spending in May was flat when adjusted for inflation and growth has essentially stalled since rising 1.3% MoM in January, per the Commerce Department. Consumers also continue to rebalance what they're buying as spending on goods fell 0.4%, while services rose 0.2%. Meanwhile, the personal saving rate ticked up to 4.6% in May.
- **There are speed bumps ahead.** While inflation is waning, it remains elevated, which has caused nearly 80% of consumers to cut spending on nonessential goods like home decor and clothing over the past six months, [according](#) to a CNBC and Morning Consult survey. And consumers' price sensitivities are poised to grow more pronounced as the student loan payment pause expires at the end of August.

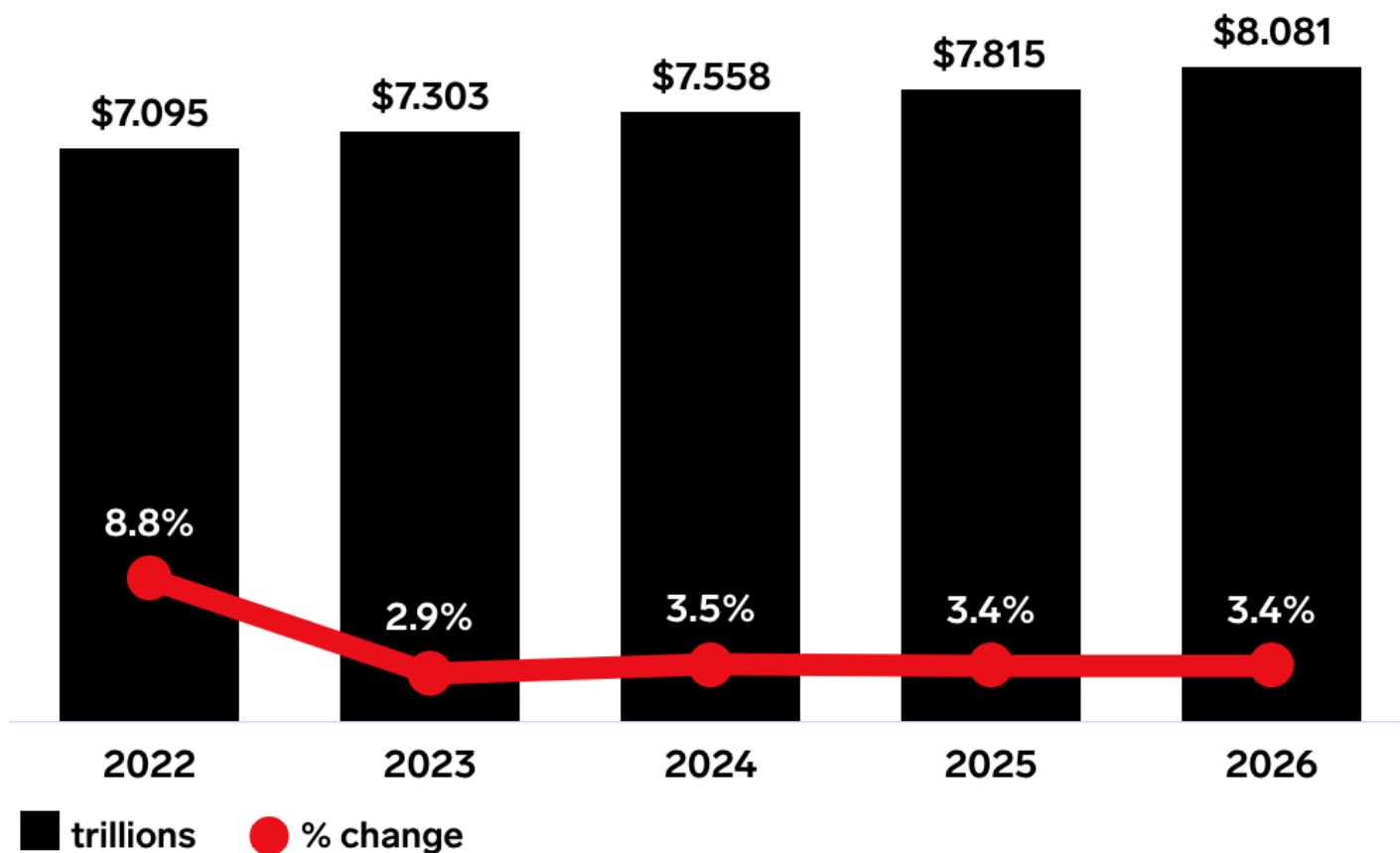
**On the ground:** A wide array of retailers, including [Home Depot](#), [Target](#), and [Macy's](#), recently noted that consumers have grown increasingly price sensitive this year.

- **Casey's General Stores CEO Darren Rebelez** said the gas station and convenience store chain has seen low-income consumers opt for less expensive prepackaged foods and private label goods rather than hot breakfast items or name-brand products. Some are also stretching their dollars when they fill their tank by choosing cheaper ethanol blends.
- And 43% of merchants are ordering less inventory than last year as they prepare for a [challenging holiday season](#).

**The big takeaway:** Retailers can and should prepare for a period of slower, incremental growth that's roughly in line with historical norms.

## Retail Sales

US, 2022-2026



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, June 2023

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