Q1 2025 U.S. Retail Scorecard – Update April 21, 2025

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RETAIL SALES

Retail sales growth in March largely fulfilled expectations. Headline sales rose 1.4% month-over-month (vs. consensus +1.3%), while sales excluding autos were up 0.5% (vs. +0.3%). The control group, which feeds into GDP calculations, increased 0.4% (vs. +0.6%). (Source: LSEG IFR).

While Q1 began on a weak note, the last two months have seen a sharp pickup, likely driven by a wave of pre-tariff buying. Consumers appeared to front-load purchases in the window between major tariff announcements and actual price hikes, a trend that likely extended into early April.

Absent the tariff effect, it's difficult to reconcile the strength in spending with ongoing weakness in sentiment. The LSEG Consumer Confidence Index fell again, weighed down by declines in both the expectations and jobs components.

Autos were a key driver this month, as anticipated. Growth in motor vehicles and parts accounted for the bulk of the headline gain, contributing $7.262 billion of the $10.335 billion increase.

Other notable contributors included:

- Restaurants and bars: +$1.711 billion (+1.8%)
- Building materials and garden supplies: +$1.307 billion (+3.3%)
- General merchandise: +$468 million (+0.6%)
- Health and personal care: +$254 million (+0.7%)
- Sporting goods/hobby: +$196 million (+0.6%)

The only significant drag came from gas station sales, which fell by $1.333 billion (-2.5%), reflecting lower gasoline prices.

Exhibit 1: U.S. March Retail Sales 2024

Percent Changes in:	Mar. 25 Advance from	
	m/m%	y/y%
Retail Sales	1.40%	4.60%
Ex-Autos	0.50%	3.60%
Retail Control Group*	0.40%	4.60%
Motor Vehicle & Parts Dealers	5.30%	8.80%
Furniture & Home Furnishing Stores	-0.70%	7.70%
Electronics & Appliance Stores	0.80%	1.80%
Building Mat'ls, Garden Equip	3.30%	2.60%
Food & Beverage Stores	0.20%	3.60%
Health & Personal Care Stores	0.70%	7.20%
Gasoline Stations	-2.50%	-4.30%
Clothing & Accessory Stores	0.40%	5.40%
Sporting, Hobby, Book & Music	2.40%	2.70%
General Merchandise Stores	0.60%	3.80%
Miscellaneous Stores Retailers	0.70%	4.70%
Nonstore Retailers	0.10%	4.80%
Food Services & Drinking Places	1.80%	4.80%
Special Categories		
Ex-gasoline	1.70%	4.70%
Ex-autos and gasoline	0.80%	4.60%
Ex-food and gasoline	1.70%	5.30%
Ex-food	1.40%	5.40%
Ex-building materials	1.30%	4.60%
Ex-food services and clothing	1.40%	0.00%

Source: LSEG IFR.

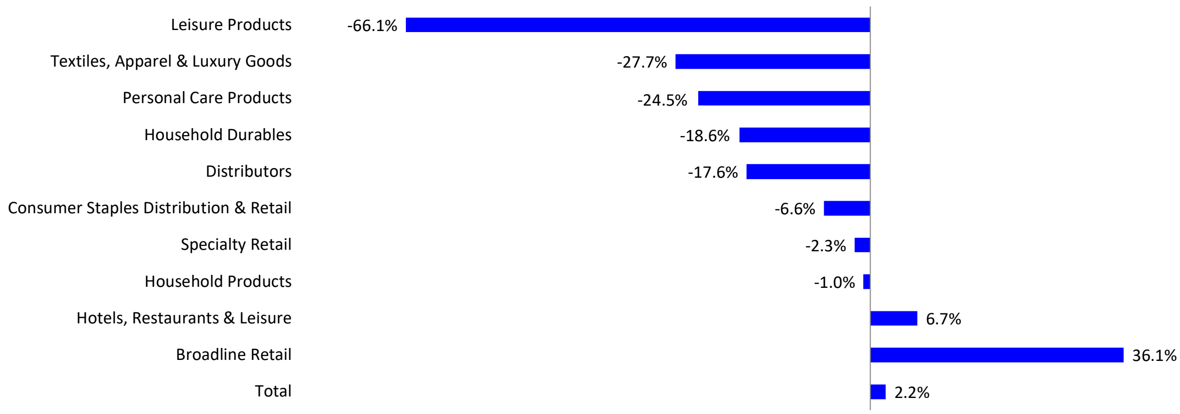
Q1 2025 EARNINGS OUTLOOK

For Q1 2025, the LSEG Retail/Restaurant Index is looking at a 2.2% blended estimated earnings growth rate, and a 3.0% blended estimated revenue growth rate.

Only two out of the 10 consumer-related industries have turned positive. The Broadline Retail, and Hotels, Restaurant & Leisure sectors continue to be on track to record one of the highest estimated earnings growth rates in the first quarter, with a 36.1% and 6.7% surge over last year's level (Exhibit 2). This is in line with the latest U.S. retail sales data showing that online shopping and eating out and going to bars grew 4.8% from a year-ago.

This forecasts for Q1 2025 show that consumers continue to gravitate towards experiences as opposed to mall visits.

Exhibit 2: Q1 2025 Earnings Growth Rates: LSEG Retail and Restaurant Index



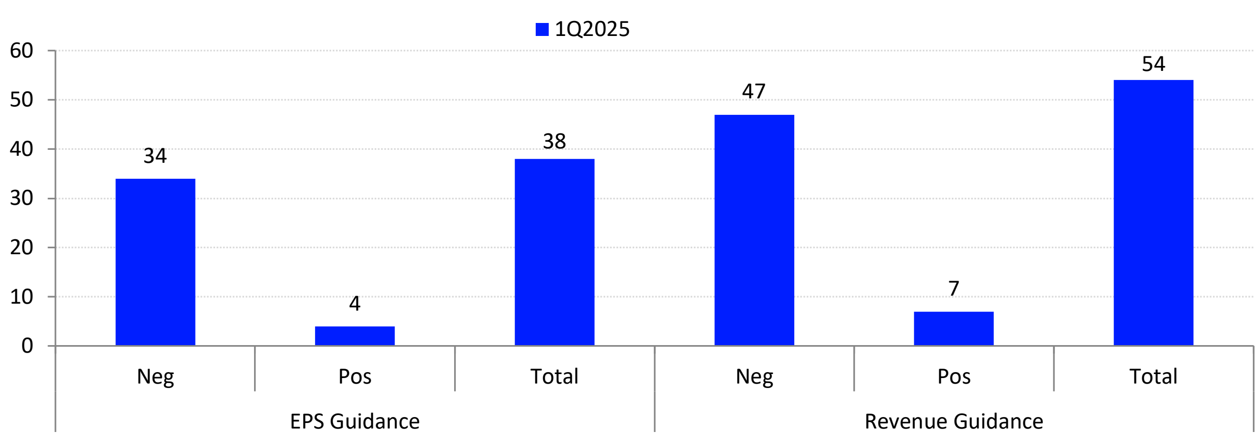
Source: LSEG I/B/E/S.

GUIDANCE

As retailers start to report Q1 2025 earnings; 34 retailers issued negative preannouncements, while only four issued positive EPS guidance so far for Q1 (Exhibit 3). Of those retailers offering revenue guidance, 47 warned of disappointing results, while seven said revenue might be better than previously expected. This stands out, as we usually have at least 10 positive preannouncements for both earnings and revenue.

About 80% of retailers discussed the impact of tariffs during their last earnings calls. Retailers are also citing a slow start to the year, concerns about higher prices, challenging macroeconomic conditions and a cautious consumer as contributing factors.

Exhibit 3: Earnings and Revenue Guidance: Q1 2025



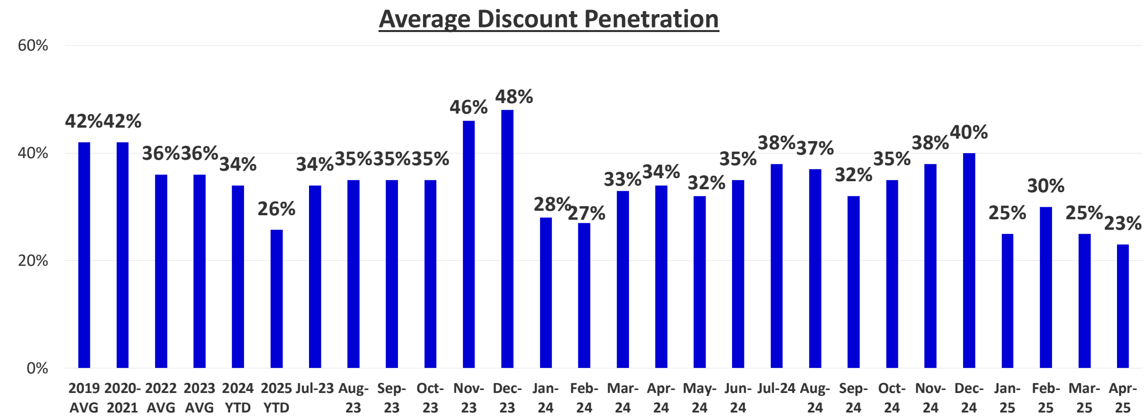
Source: LSEG I/B/E/S

DISCOUNT LEVELS - U.S. ONLINE RETAILERS

The discount penetration (how much of the assortment is on sale) has come down significantly in the past two months this year. LSEG discovered this in a collaboration with Centric Market Intelligence, which analyzes retailers, brands, online trends and products across the globe.

Retailers tend to be conservative when they introduce their new full-priced spring merchandise, ahead of the Easter holiday. For April, the discount penetration is 23%, slightly below March's average.

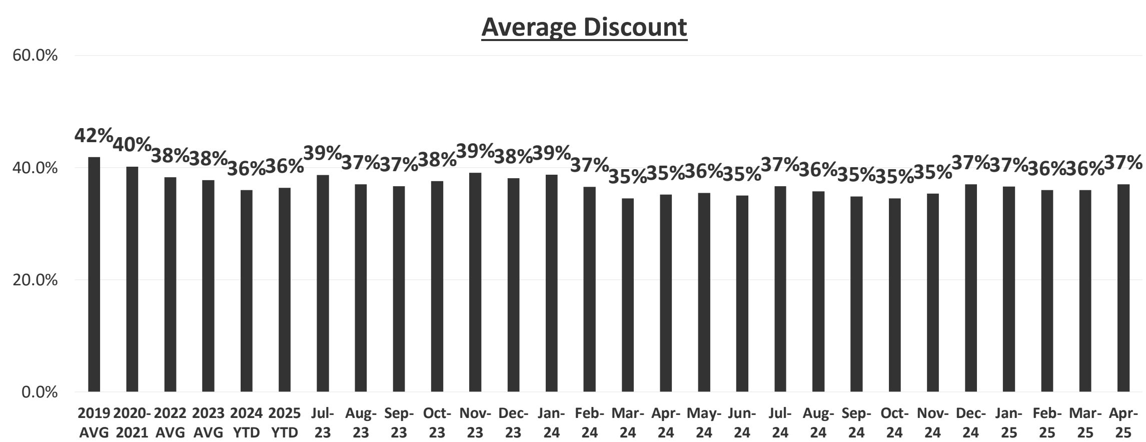
Exhibit 4: Average Discount Penetration: U.S. Online Retailers



Source: Centric Market Intelligence.

However, the average percent discount in April is 37.0%, slightly above last year's average of 36.0%.

Exhibit 5: Average Discount: U.S. Online Retailers



Source: Centric Market Intelligence.

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