

Retail Trends May 21, 2024

Brick and Mortar

The backbone of America's economy was just dealt a serious blow



Retail sales in April were unchanged from March and missed economists' projections. Despite a slight increase in spending at gas stations, clothing stores, and restaurants, most sectors saw declines, particularly online retail. The slowing spending, coupled with a slight easing of inflation and a weakening labor market, suggests economic challenges ahead and increases the likelihood that the Federal Reserve might consider cutting interest rates soon.

Import prices post biggest increase in two years, adding to U.S. inflation pressures



In April, the cost of imported goods in the U.S. increased at the fastest rate in two years, with the import-price index rising 0.9%, surpassing economists' forecasts. This rise, not limited to energy, contributed to persistent inflation, complicating the Federal Reserve's plans to cut interest rates. As U.S. inflation remains stuck above the Fed's 2% target, higher import prices continue to exacerbate the issue.

Babies'R'Us is returning with new shops set to open in Kohl's stores nationwide



Kohl's Corp. has announced plans to open Babies'R'Us shops in 200 of its department stores across the U.S. later this year as part of a partnership with Babies'R'Us parent company WHP Global. The new in-store shops will offer a curated selection of baby gear, furniture, accessories, and more, alongside Kohl's existing baby and kids' apparel sections. This move aims to enhance Kohl's assortment and establish it as a go-to destination for families.

In its third bankruptcy, Rue21 plans to shutter all locations



Rue21, under new CEO Josh Burris, expanded its store fleet during the pandemic but now faces operational losses and liquidity challenges, according to court documents. The retailer plans to pursue a sale of assets, including through store closures and liquidation, amid difficulties raising capital and increasing online competition. Despite overall apparel sales growth, some analysts caution that consumer spending may be artificially propped up, potentially leading to future downturns in retail.

Used Retail Vehicle Sales Decrease in April



In April, retail used-vehicle sales dropped by 7% from March, totaling 1.45 million, but were up 4.8% year over year. Despite a seasonal dip in consumer demand post-tax refund season and ongoing challenges with tight inventory and high interest rates, used vehicle sales surpassed last year's levels. Certified pre-owned (CPO) vehicle sales also saw a month-over-month decrease, with a 2.5% drop from April 2023 and a 9.8% decline from March.