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Economy

Retail inventories: Too little or too much?

02 May 2025

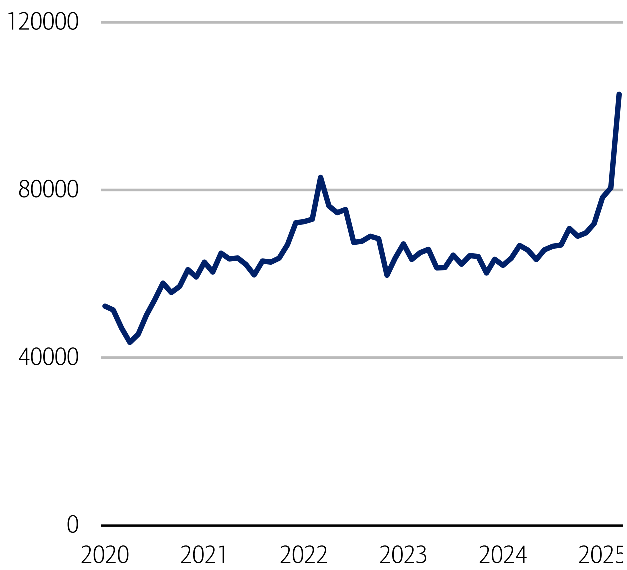
Key takeaways

- There was a surge in imports of consumer goods into the US in March, according to Census Bureau data. Does this mean retailers' inventories are set to swell?
- In our view, no. The ratio of retailers' inventories to their monthly sales was not especially high in recent data to begin with. And at the same time, consumers also appear to have been buying ahead, with Bank of America internal data showing strength in consumer durables spending in March and April.
- Moreover, Bank of America internal data on retailers' payments to transportation and shipping companies does not suggest a big ramp up in inventories. And it appears container shipments into Los Angeles are likely down in May. So we think it is possible retail inventories may actually look 'lean' in coming months.

Does a rise in consumer goods imports mean well-stocked warehouses?

March saw a big increase in imports of "consumer goods" into the US, according to data from the Census Bureau (Exhibit 1). One obvious reason for this leap was in response to announcements around tariffs. In particular, consumer businesses may have been hoping to import products ahead of the imposition of import duties.

Exhibit 1: There was a very large increase in consumer goods imports in March
Imports of consumer goods into the US ($m, seasonally-adjusted (SA))



Source: Haver Analytics

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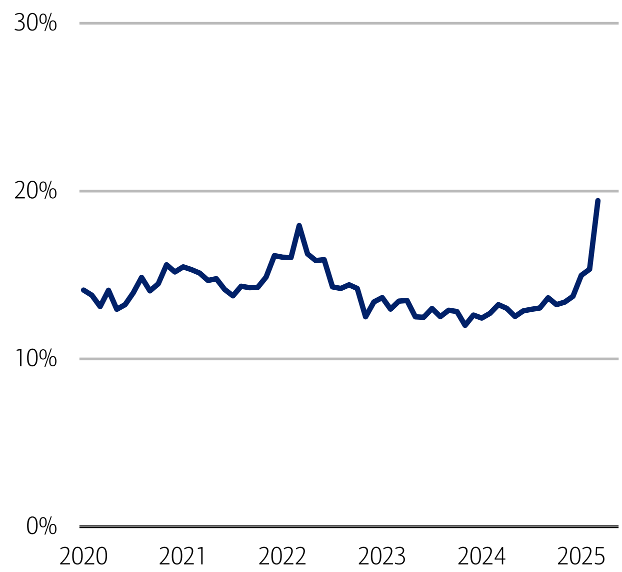
Exhibit 2: The share of consumer goods imports to retail sales rose in March, but remains below 20%
Imports of consumer goods into the US as a percentage of retail sales (ex-restaurants, motor vehicles, auto parts and gasoline) (%)



Source: Haver Analytics

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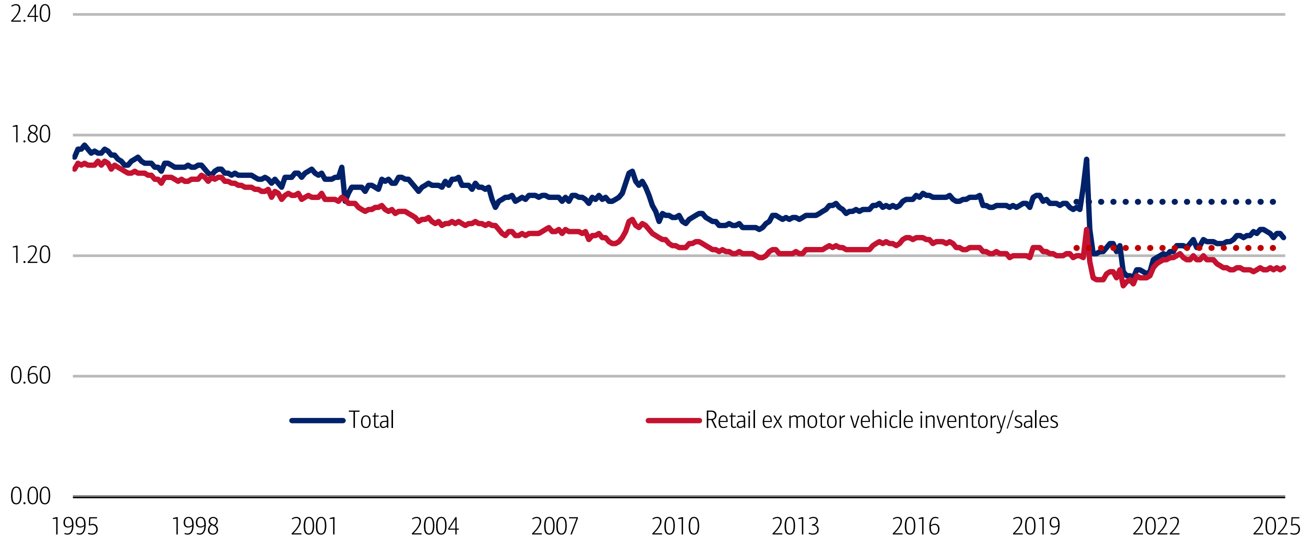
Does this increase in imports mean retailers are likely to have plentiful supplies of inventory to meet consumer demand over the coming months?

We would be a little skeptical. For one, consumer goods imports usually account for around 15% or so of monthly retail sales (Exhibit 2). And, while the rise in this share is significant, it remains modest overall – below 20%. So, imports alone won't meet consumer demand in coming months.

Moreover, when we look at the level of retailers' inventories relative to their monthly sales, it was lower in March 2025 than it was on average during 2015-2019, according to data from the Census Bureau (Exhibit 3). Even if the surge in imports takes a while to find its way into retail inventories, the increase might not do much more than take the retail inventory/sales ratio back to around pre-Covid averages.

Exhibit 3: Relative to the period 2015-2019, retail inventories looked fairly lean heading into the uncertainty caused by tariffs
Retail inventory to sales ratio (monthly, seasonally-adjusted (SA)). Dotted lines are 2015-2019 averages.



Source: Haver Analytics

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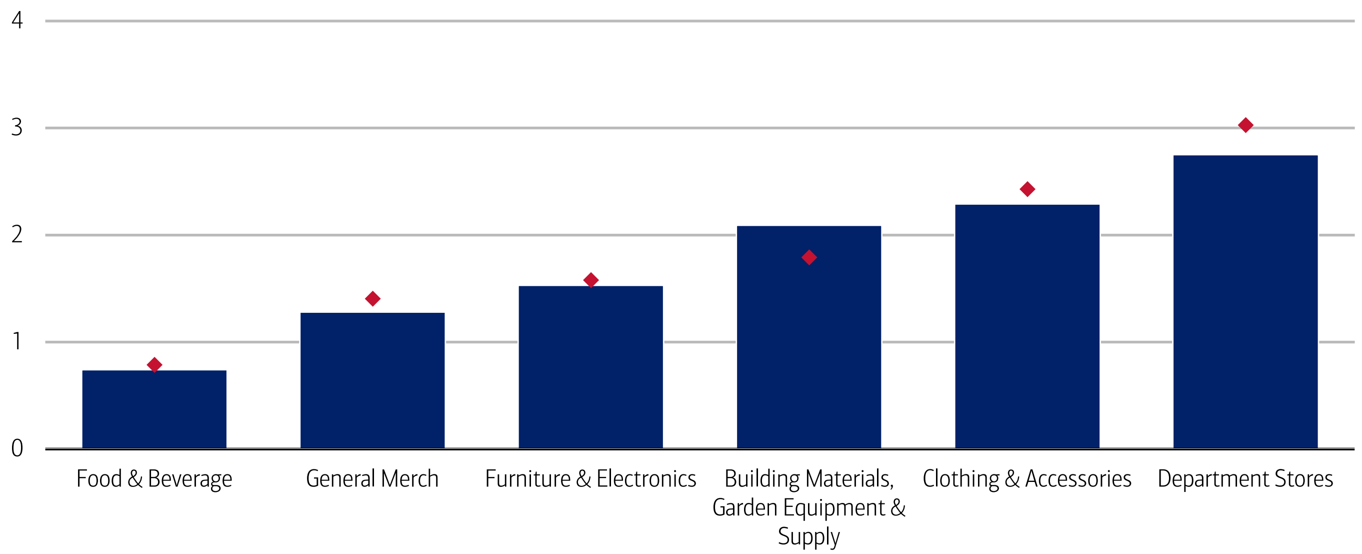
Many retailers work with relatively thin inventories

Does any of this matter? Well, the amount of inventory retailers hold relative to their sales will be a determinant of how well they can weather any demand or supply disruptions. In fact, Exhibit 4 shows that as of March 2025, many retailers only have one- or two-months' worth of sales in inventory. This means unforeseen demand or supply disruptions can quickly impact what goods retailers can supply and/or the price they will charge.

Exhibit 4: Many categories of retailer have only two months or less of inventories
Retail inventory to sales ratio for selected retail stores in March 2025 (red diamond=average for 2015-2019 period)



Source: Haver Analytics

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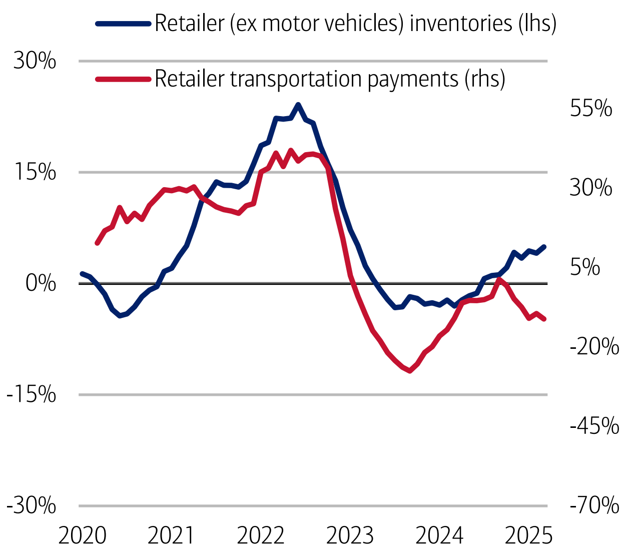
Supplies may tighten in the coming months

In the current economic environment, this relatively lean supply is important because, as discussed in the April Consumer Checkpoint and our April consumer spending update, the tariff announcements not only appear to have encouraged retailers and wholesalers to "buy ahead" but also some consumers, too – particularly consumer durables (which we proxy as spending on electronics, furnishings, building materials and auto parts) and vehicles.

Therefore, despite the rise in consumer goods imports, retailers could actually find themselves rather light on inventories in the coming months, particularly if the surge in imports is only temporary. To gauge this, we look at Bank of America internal data on retailers' payments to shipping and transportation companies as a proxy for their inventory orders (see methodology), given they need to pay for their deliveries.

Exhibit 5 shows that after a period of strengthening, the year-over-year (YoY) growth in these shipping and transportation payments has actually slackened in recent months, which suggests to us that there is not likely to be a significant rise in retail inventories in the pipeline.

Exhibit 5: Retail transportation payment growth has decreased
% YoY change in retail inventories and Bank of America retail sector payments to transportation and shipping companies (three-month moving average, % YoY)



Source: Bank of America internal data, Haver Analytics

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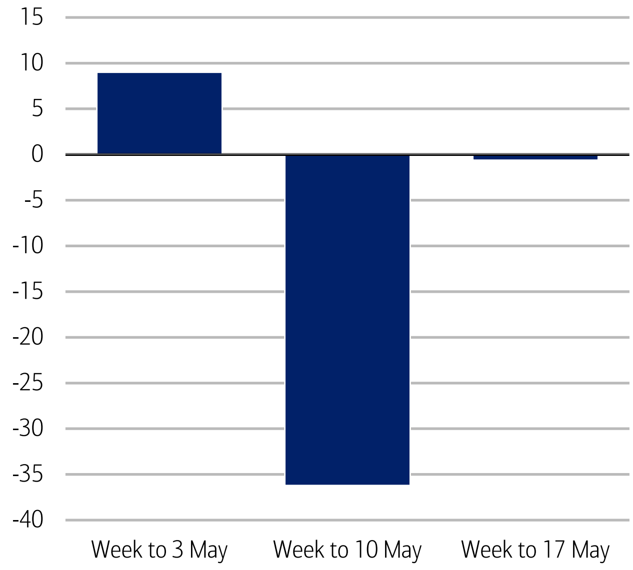
Exhibit 6: It appears inbound containers inbound to the Port of Los Angeles will drop well back in May
Port of Los Angeles inbound containers (% YoY), April - May 2025



Source: Port of Los Angeles

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Moreover, BofA Global Research has highlighted that the number of inbound container ships to the port of Los Angeles is showing a sharp drop back in May (Exhibit 6) and that high frequency reads show escalating trade disruptions with ~15-20% downside to US container imports from Asia likely in the coming weeks. So, it seems likely the rise in imports in the March data will be relatively short-lived and potentially followed by a sharp drop in the coming months.

For retailers, it is an exceptionally hard job to get their level of inventories right, faced with increased economic uncertainty and changing patterns of consumer demand. But for consumers too, we think these inventory trends are important as supply pressures for some goods may put upward pressure on prices, or make them harder to find, in the coming months.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on aggregated and anonymized selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

All Bank of America retailer clients are US-based corporates. Corporate payments referenced in this report only include payments through automated clearing houses (ACH), cards (debit cards or small business credit cards) and wires from corporate clients with a deposit account, debit card or small business credit card.

Data regarding companies making or receiving payments are identified and classified by the North American Industry Classification System (NAICS) defined by Census Bureau. Specifically, Bank of America corporate clients that are in the retail sector include those in the following subsectors: Specialty Retail, Diversified Wholesalers, Food Products, and Multiline Retail. Shipping and Transpiration companies that receive such payments include those in the following subsectors: Air Freight & Logistics, Marine, Road & Rail, and Transportation Infrastructure.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Additional information about the methodology used to aggregate the data is available upon request

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Sources

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Disclosures