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The Spend-Trend Economy Is Beginning to Gain Momentum
By Ellen Chang

NEW YORK (MainStreet) — Consumer spending grew slightly in April, boosted by increased confidence in the economy, along with a rise in job creation and pent-up demand.

Spending rose by 4.1%, according to analysis from First Data, the Atlanta-based payment technology and services solutions company. Warmer weather and the Easter holiday shifting into April this year resulted in the uptick compared to March's growth of 3.1%.

Higher year-over-year tax refunds and the modest pick-up in inflation, especially in energy and food, also contributed to the growth, said Krish Mantripragada, svp of information and analytics solutions at First Data.

The use of debit cards in April rose by 8.6% while the number of pre-paid cards used for sales increased by 6.9%, followed by a rise of 4.3% in credit card use.

"Overall spending growth was strong and gained momentum over March as the return of warmer weather encouraged consumers to get out and shop," he said. "Consumer confidence and job creation also bounced back, which put consumers in the mood to release their pent-up demand from the extended winter. We also saw debit spending growth continue to rise, due in large part to higher tax refund values and volumes through April."

Transaction growth increased by 3.5% compared to March's 2.7% growth, supported by higher gas prices, an uptick in job creation and a lift in consumer confidence. Since gas prices surpassed last year's levels, spending at gas stations rose by 3.3%, marking the highest growth since July 2013.

Spending at clothing and accessories stores increased by 1.2% and purchases at health and personal care stores rose slightly by 0.2% compared to declines to 5.0% at clothing stories and 2.4% in health stores as shoppers visited these merchants for candy, Easter-themed toys and spring apparel.

The average ticket grew by 0.5% compared to March's growth of 0.3%, the strongest growth in the past 12 months, driven by an increase in gas and food costs.

Sales have increased each month for the past three months, averaging 0.8%, which marks the highest three month moving average since September 2012, according to Michael Soni, an economist for BBVA Compass, the Spanish financial institution.

"The retail sales data in April should not be viewed as a signal of an economic slowdown," he said in a research report. "Retail sales have been volatile on a month-to-month basis and data over the past three months show that the component has been trending upward. After posting the two strongest back-to-back monthly gains since 2012, a pullback in growth is to be expected. We continue to expect consumer spending to drive economic growth as we transition into the second quarter of 2014 and we project that monthly retail sales growth will be higher for both May and June."

"An uptick in consumer spending is a good sign for the economy as long as consumers are sticking to their budgets and it does not "put their personal economies in jeopardy," said Gail Cunningham, spokesperson for the National Foundation for Credit Counseling.

"However, by some measures the jury is still out as April retail spending did not perform as expected," she said. "Consumers may have a good deal of financial angst remaining, thus continue to be somewhat reluctant to part with their hard-earned money. A steady, measured spending approach isn't all bad."

Increased spending is a positive note for the economy as it places more capital into the free markets, increasing demand for products and services, said Kimberly Foss, president of Empyrion Wealth Management in Roseville, Calif.

"The unusually cold weather in much of the country this past winter affected consumers' moods and lack of spending, but the winter chill is now thawing," she said. "Now that spring is in the air, consumers are ready to open their wallets and spend more, due to the boost in employment."

--Written by Ellen Chang for MainStreet