Retail sales topped Wall Street analysts' expectations in March as consumers continued to spend despite a higher interest rate environment.

Retail sales for the month increased 0.7% from the previous month, according to Census Bureau data. Economists had expected a 0.4% increase in spending, according to Bloomberg data. Meanwhile retail sales in February were revised up to an increase of 0.9%, from a prior reading of 0.6%.

This is the second consecutive monthly uptick in retail sales, suggesting January's surprise 1.1% decrease was more an aberration than a trend.

March sales, excluding auto and gas, increased by 1%, above consensus estimates for a 0.3% increase.

"The strong rise in retail sales in March and upward revision to February’s data will further support the Fed’s stance that there is no rush to start lowering interest rates," Capital Economics deputy chief US economist Andrew Hunter wrote in a note to clients on Monday.

Nonstore retailers led the gains by category, rising 2.7%. The largest decline came in sporting goods and hobby stores, where sales fell 1.8%.

The update on consumer spending comes as the economy has largely remained on solid footing to start 2024. Consensus projections for economic growth in the first quarter have moved higher while the labor market has continued to add more jobs than previously expected.

This strength in the economy has come as recent inflation prints have shown price increases aren't easing as quickly as initially hoped. The combination of stickier-than-expected inflation with an economy that's still growing has economists believing the Federal Reserve can wait longer to cut interest rates without tipping the economy into recession.

"There are some troubling signs of potential threats to spending power for consumers on the lower-end of the income spectrum, but these threats are not enough to tip the aggregate spending data lower," Jefferies US economist Thomas Simons wrote in a note to clients on Monday. "Confidence in continued labor market strength alongside strong savings stocks among retirees are going to combine to underpin strong consumer spending for the foreseeable future."