

April Retail Sales Plunge 16.4% in Wake of COVID

- Retail sales excluding auto and gas fall -16.2%; total retail sales fall 16.4%, the worst retail sales drop ever
- April sales in non-auto discretionary categories cut by shelter-in-place orders nationwide, with an average slide of nearly 50%
 - Non-store retail was the only positive sector as store closures forced consumers to shop online

Seasonally Adjusted Retail Sales (% Change Month-Over-Month)			
Source: U.S. Census, Bloomberg			
Item	Apr 2020	Apr 2020 Estimate	Mar 2020 Revised
Total Retail Sales	-16.4%	-12.0%	-8.3%
Retail Sales Ex Auto	-17.2%	-8.5%	-4.0%
Retail Sales Ex Auto and Gas	-16.2%	-7.6%	-2.6%
Retail Sales Control Group	-15.3%	-5.0%	3.1%
By Category:			
Furniture	-58.7%		-21.1%
Electronics	-60.6%		-11.0%
Building materials	-3.5%		-0.5%
Clothing	-78.8%		-49.4%
General Merch	-20.8%		7.1%
Department stores	-28.9%		-22.2%
Sporting goods, hobby, musical instrument and book stores	-38.0%		-17.8%
Gasoline Stations	-28.8%		-16.5%
Food Service/Drinking Places	-29.5%		-29.7%
Grocery	-13.2%		28.6%
Health and Personal Care	-15.2%		5.0%
Nonstore	8.4%		4.9%

Breaking Down U.S. Retail Sales

April U.S. retail sales fell an unprecedented 16.4% from March and missed estimates by 440 bps, driven by nationwide store closures, rising unemployment, and shelter-in-place orders due to the COVID-19 outbreak. Apparel, electronics, furniture, and sporting goods faced the greatest pressure, with sales falling 78.8%, 60.6%, 58.7% and 38%, respectively, from the prior month. Grocery store sales slowed from the prior month, but still outperformed more discretionary sectors. Non-store sales, predominantly digital, rose 8.4% from the prior month, with April monthly trends as high as 85% to 90% at some retailers, including Bed Bath & Beyond and Wayfair. The pandemic has exacerbated the existing declines in retail sales, as consumers had already slowed spending in early 1Q.

Soft sales trends likely continue into May and likely even after the economy reopens, as consumers face rising unemployment and falling disposable income, forcing their spending to remain on essentials and cost of living expenses. These dramatic sales drops, despite some shift to digital channels, has pressured retailers, with many of them drawing down on their credit facilities to ensure liquidity, while also furloughing employees and cutting operational costs. Even if sales improve, profitability is at risk as consumers continue to move away from higher-margin discretionary categories, such as apparel, to essentials, like food. Further, depending on the duration of the shelter-in-place, seasonal merchandise could become obsolete and require deep discounting (margin dilutive) to move inventory and prepare for the next season (back-to-school and holiday).

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