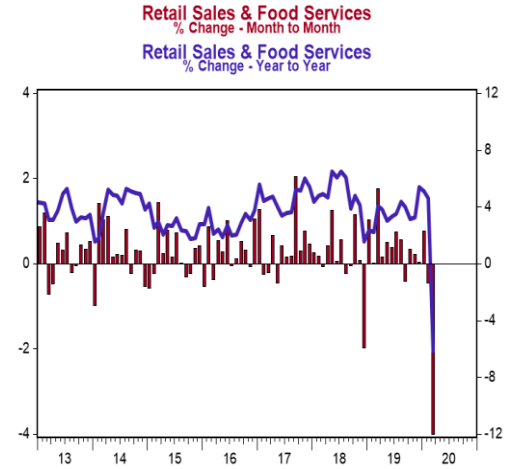


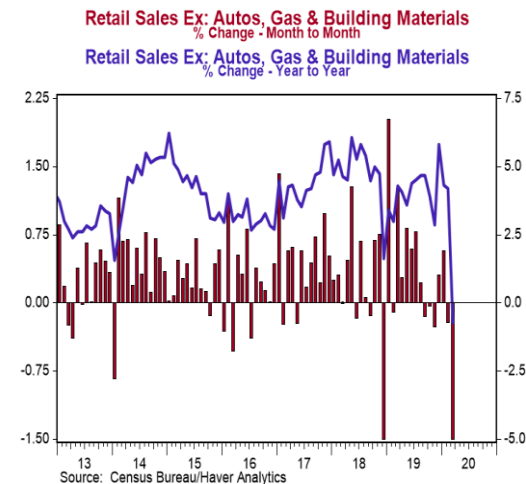
March Retail Sales

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- Retail sales declined 8.7% in March (-8.5% including revisions to prior months), below the consensus expected 8.0% decline. Retail sales are down 6.2% versus a year ago.
- Sales excluding autos declined 4.5% in March, (-4.3% including revisions to prior months). The consensus expected a 5.0% decline. These sales are down 1.7% in the past year. Excluding gas, sales declined 8.0% in March and are down 5.1% from a year ago.
- The drop in sales in March was led by autos, restaurants & bars, clothing stores, and gas stations. The largest increase by far, was for food & beverage stores.
- Sales excluding autos, building materials, and gas declined 3.5% in March. These sales were down at a 2.5% annual rate in Q1 versus the Q4 average.



Implications: Retail sales plummeted in March at a faster pace than any month on record, falling 8.7%. Sales declines were widespread, but led by autos, restaurants & bars, clothing & accessory stores, and gas stations. Auto sales fell 25.6%, which leaves room for further declines in April given government-mandated shutdowns. The same goes for restaurants & bars, where sales were down 26.5%. Sales in this category will decline sharply again in April. Sales at clothing & accessory stores fell 50.5%, which makes sense when everyone is too busy stocking up on food and other necessities. Gas station sales dropped 17.2%, a result of both lower prices and lower sales volume. The best-performing categories were food and beverage stores (supermarkets and groceries), up 25.6%, non-store retailers (internet and mail-order), up 3.1%, and general merchandise stores (including warehouse clubs), up 6.4%. Building materials & garden equipment rose 1.3%, possibly signaling relative resilience in the housing sector. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, declined 3.5% in March and are down 0.7% from a year ago. Overall sales are down 6.2% from a year ago. Plugging these figures into our models suggests “real” (inflation-adjusted) consumer spending (goods and services, combined) fell at a roughly 2% annual rate in the first quarter and that real GDP declined at a roughly 3% rate, although we could adjust these figures later this month before the government releases its initial report on Q1 real GDP on April 29. This is an astounding turnaround from our pre-Coronavirus estimate that the economy was *growing* at a 3% rate in Q1, a combination of solid entrepreneurship, lower tax rates, and less of a regulatory burden. Now, it looks like the second quarter will be even worse than the first, with the steepest drop in real GDP for any quarter since the immediate aftermath of World War II or possibly the Great Depression in the 1930s. In the months ahead, the timing and pace of the recovery will be largely influenced by the timing and pace of governments at all levels easing restrictions on economic activity (even if gradually), which, in turn, depends on the spread of the virus as well as testing and therapies to fight it. Until we see some easing, expect the data to remain ugly.



Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-20	Feb-20	Jan-20	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-8.7%	-0.4%	0.8%	-29.7%	-15.2%	-6.2%
Ex Autos	-4.5%	-0.4%	0.7%	-15.8%	-7.3%	-1.7%
Ex Autos and Building Materials	0.0%	-0.5%	0.5%	-18.7%	-9.1%	-2.6%
Ex Autos, Building Materials and Gasoline	-3.5%	-0.2%	0.6%	-12.2%	-6.3%	-0.7%
Autos	-25.6%	-0.5%	0.8%	-68.9%	-43.2%	-23.7%
Building Materials	1.3%	-0.2%	3.8%	21.6%	14.6%	7.6%
Gasoline	-17.2%	-2.9%	-0.3%	-58.6%	-31.1%	-18.0%

Source: Bureau of Census