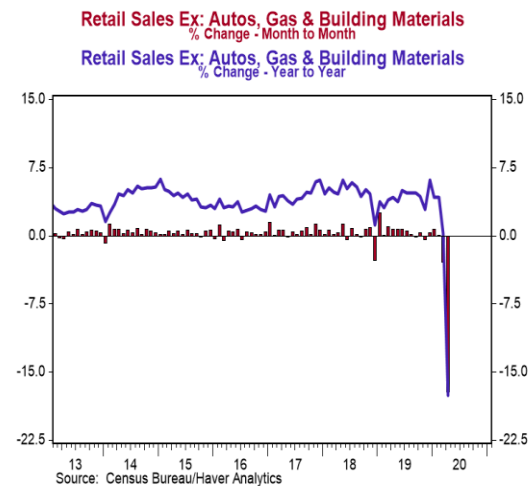
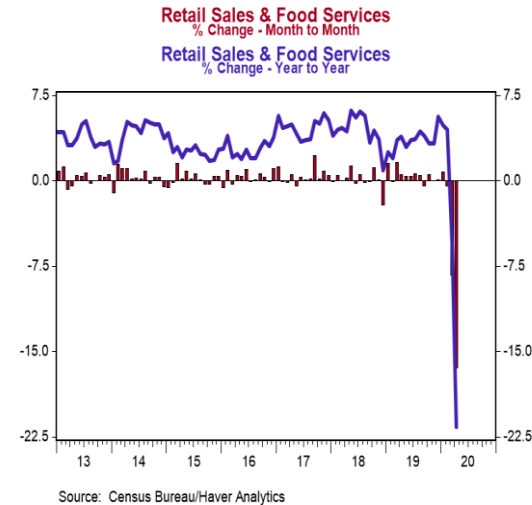


April Retail Sales

Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist
 Strider Elass – Senior Economist

- Retail sales declined 16.4% in April, lagging the consensus expected 12.0% decline. Retail sales are down 21.6% versus a year ago.
- Sales excluding autos declined 17.2% in April, (-17.1% including revisions to prior months). The consensus expected an 8.5% decline. These sales are down 18.8% in the past year. Excluding gas, sales declined 15.5% in April and are down 19.7% from a year ago.
- The drop in sales in April was led by restaurants & bars, general merchandise stores, and food and beverage stores. The largest and only increase was for non-store retailers (internet & mail order).
- Sales excluding autos, building materials, and gas declined 17.2% in April. If unchanged in May and June, these sales will be down at a 56.6% annual rate in Q2 versus the Q1 average.

Implications: Forget about retail sales for a minute. Initial unemployment claims came in at 2.98 million last week, continuing the recent spate of extremely high readings since March. However, initial claims have dropped for six weeks in a row after peaking at 6.87 million in late March, including a decline of 195,000 last week. Moreover, after the claims data were released yesterday it was reported that Connecticut accidentally overstated claims by about 270,000. Once fixed, this will show an even steeper decline in claims last week and we expect claims to come in around 2.1 million for the current week (reported next Thursday). In addition, we have heard anecdotal reports of an unusual number of fraudulent initial claims being made due to the temporary generosity of the program. As a result, we are following continuing claims, data for which lag initial claims by one week. Continuing claims hit a record high of 22.83 million two weeks ago and are likely to rise again in next week’s report. At present, we are forecasting that continuing claims peak in late May, signaling a bottom for the overall US economy. Now back to retail sales, which plummeted in April at a faster pace than any month on record, falling 16.4%. Sales declines with only one of thirteen categories with higher sales. The drop was led by restaurants & bars, general merchandise stores, and food and beverage stores, with steep declines also at gas stations, for motor vehicles, furniture/electronics/appliances, as well as at clothing stores. Sales at restaurants & bars fell 29.5% but should see smaller declines moving forward given the partial reopening in many states. The same goes for general merchandise stores, where sales were down 20.8%. Surprisingly sales at food & beverage stores fell 13.1%, most likely due to people overstocking food and necessities the month before. (Most people didn’t use their 200 rolls of toilet paper in one month). Gas station sales dropped 28.8%, a result of both lower prices and lower sales volume. The best-performing and only positive category was non-store retailers (internet and mail-order), up 8.4% in April and up 21.6% from a year ago. These sales now account for 19.4% of overall retail sales, an all-time record. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, declined 17.2% in April and are down 17.6% from a year ago. Overall sales are down 21.6% from a year ago. The data show that the second quarter for real GDP will be much 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. The good news is we are starting to see some easing in restrictions; green shoots are starting to show up in the weekly high frequency data we follow, which you can find [here](#). In inflation news yesterday, import prices fell 2.6% in April, as falling fuel prices led the way dropping 31.5%, while nonfuel imports also declined 0.5%. Meanwhile, export prices declined 3.3%, with prices dropping for both agricultural and nonagricultural exports. In the past year, import prices are down 6.8%, while export prices are down 7.0%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Apr-20	Mar-20	Feb-20	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-16.4%	-8.3%	-0.4%	-66.2%	-40.8%	-21.6%
Ex Autos	-17.2%	-4.0%	-0.5%	-60.8%	-36.2%	-18.8%
Ex Autos and Building Materials	-18.2%	-4.4%	-0.4%	-63.2%	-38.6%	-20.3%
Ex Autos, Building Materials and Gasoline	-17.2%	-2.9%	-0.1%	-58.4%	-34.8%	-17.6%
Autos	-12.4%	-25.7%	-0.4%	-82.3%	-57.3%	-32.9%
Building Materials	-3.5%	-0.5%	-1.8%	-20.8%	-1.1%	0.4%
Gasoline	-28.8%	-16.5%	-2.9%	-88.9%	-65.8%	-42.8%

Source: Bureau of Census