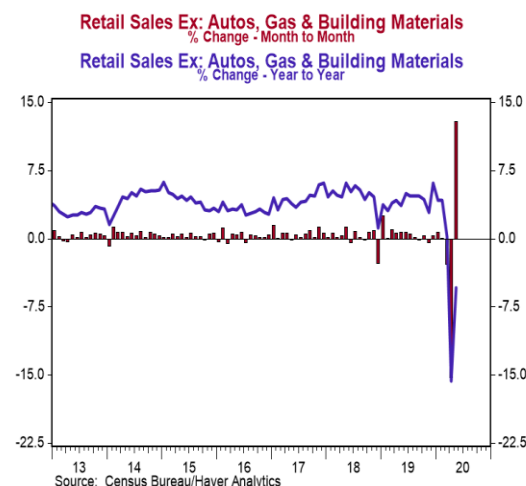
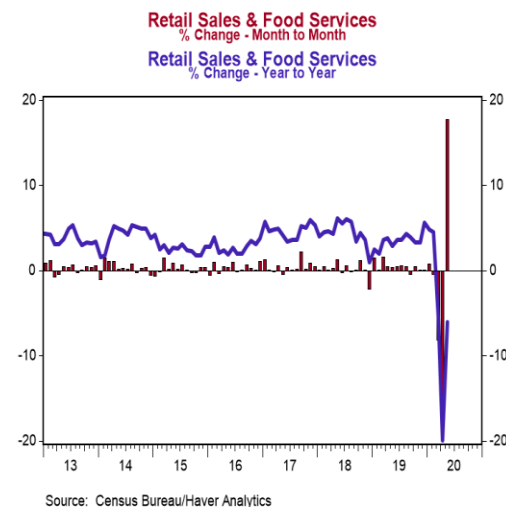


May Retail Sales

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- Retail sales rose 17.7% in May (+20.2% including revisions to prior month), easily beating the consensus expected increase of 8.4%. Retail sales are down 6.1% versus a year ago.
- Sales excluding autos rose 12.4% in May (+15.4% including revisions to prior months). The consensus expected an increase of 5.5%. These sales are down 6.6% in the past year. Excluding gas, sales rose 18.0% in May, but are down 3.9% from a year ago
- The surge in sales in May was led by autos, restaurants & bars, and non-store retailers (internet & mail order). No category declined in May.
- Sales excluding autos, building materials, and gas rose 12.9% in May. If unchanged in June, these sales will be down at a 34.1% annual rate in Q2 versus the Q1 average.

Implications: An absolute blowout number for retail sales in May, surging 17.7% to crush even the most optimistic estimate from forecasters, who were already looking for a record-setting increase. Data on prior months were revised higher as well, and when you include revisions, retail sales rose 20.2% from the initial April reading. Let's put the May gain in some perspective; from February (before the COVID shutdowns started) to the bottom in April, retail sales fell an incredible 21.8%. With the increase in May, we now stand a more modest 7.9% below the February mark; still down, but a strong start to the recovery process. Looking at the details of today's report shows that every single category had gains in May, and nearly every category was up double-digits. Autos led the way, up 44.1%, as car dealers followed the rest of the country in starting to reopen doors. With the May jump, auto sales are now down just 3.9% in the past year. Other categories that showed outsized impacts from COVID also surged back to life, including restaurants & bars (+29.1%), clothing stores (+188.0%), furniture & home furnishings (+89.7%), and department stores (+36.9%). Non-store retailers – the one group that rose, rather than fell, throughout the shutdown – continued to move higher in May, up 9.0% on the month and now up 30.8% in the past year. It was less than two years ago that non-store retailers surpassed general merchandise stores for share of consumer spending, and the pandemic – which brought us inside and online – has served to accelerate the shift towards digital shopping. As we have seen hinted in the high-frequency data, gas station sales turned the corner in May, up 12.8% as both prices and the volume sold moved higher. “Core” sales, which exclude the most volatile categories of autos, building materials, and gas station sales, jumped 12.9% in May, but remain down 5.5% from a year ago. Overall retail sales are down 6.1% from a year ago. While the data are improving (virtually across the board), the second quarter for real GDP will still 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. What matters right now is the path forward, and we have started down that path at a healthy clip.



Retail Sales <i>All Data Seasonally Adjusted</i>	May-20	Apr-20	Mar-20	3-mo % Ch. <i>Annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	17.7%	-14.7%	-8.2%	-28.1%	-14.5%	-6.1%
Ex Autos	12.4%	-15.2%	-3.8%	-29.4%	-14.5%	-6.6%
Ex Autos and Building Materials	0.0%	-16.2%	-4.3%	-32.8%	-17.1%	-8.2%
Ex Autos, Building Materials and Gasoline	12.9%	-15.4%	-2.9%	-25.9%	-12.3%	-5.5%
Autos	44.1%	-12.3%	-25.9%	-22.9%	-14.3%	-3.9%
Building Materials	10.9%	-2.4%	0.7%	41.3%	26.4%	16.4%
Gasoline	12.8%	-24.4%	-16.5%	-74.3%	-51.7%	-30.8%

Source: Bureau of Census