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## March Retail Sales: A Record Decline That Doesn't Tell The Full Story

- › Retail sales **fell** by 8.7 percent in March after **falling** by 0.4 percent in February (initially reported down 0.5 percent)
- › Retail sales excluding autos **fell** by 4.5 percent in March after **falling** by 0.4 percent in February (initially reported down 0.4 percent)
- › Control retail sales (sales excluding motor vehicles, gasoline, restaurants, and building materials) **rose** by 1.7 percent in March

Total retail sales fell by 8.7 percent in March, a bit shy of the 9.1 percent decline our forecast anticipated but larger than the 8.0 percent decline the consensus forecast anticipated. Ex-auto sales were down by 4.5 percent, a touch milder than the 4.7 percent decline our forecast anticipated. As our forecast anticipated, control retail sales significantly outperformed total and ex-auto sales, but the 1.7 percent increase in control sales was better than even we had expected. The decline in retail sales in March is easily the largest on record for this series. As we noted in this week's *Economic Preview*, that many retailers/restaurants have either shut down or are operating at only limited capacity impacted the Census Bureau's data collection procedures, and the initial estimate of March retail sales is based on a much thinner sample than is normal. That said, while the reported percentage changes in sales may be less precise than is typically the case, the breakdown of sales by the broad categories clearly reflects the sudden and dramatic shift in shopping patterns that took place over the course of March as "shelter in place" orders became more widespread across the nation.

Sales fell in eight of the 13 major categories for which data are reported, with a mind-boggling 50.5 percent plunge in sales at apparel stores. Sales revenue at motor vehicle dealers fell by 27.1 percent, reflecting the 33.5 percent decline in unit motor vehicle sales. Sales at furniture stores fell by 26.8 percent, restaurant sales fell by 26.5 percent, gasoline station sales fell by 17.2 percent, and sales at electronics & appliance stores fell by 15.1 percent. On the flip side, grocery store sales rose by 26.9 percent, sales at general merchandise stores rose by 6.4 percent, sales by nonstore retailers rose by 3.1 percent, and sales at building materials stores rose by 1.3 percent.

Motor vehicle sales are representative of how patterns in broader economic activity shifted dramatically over the course of March. Various industry reports show motor vehicle sales got off to a strong start in March and held up through about mid-month, before basically drying up over the second half of the month. The net result was a 27.9 percent

decline in not seasonally adjusted unit sales. Even more striking than the size of this decline is that this is the first time in the life of the data – the BEA's data go back to 1967 – that unit motor vehicle sales have ever declined in the month of March. Consider that this period captures what were some deep recessions, including the 2007-09 recession, but even during these downturns unit sales rose in the month of March. That March is typically such a strong month means the decline in seasonally adjusted sales – the 33.5 percent decline cited above – was even more pronounced than the decline in unadjusted sales.

Gasoline station sales were pummeled not only by the drop-off in demand that occurred as economic activity shut down, but also by a significant decline in retail gasoline prices. As with motor vehicle sales, March is typically a seasonally strong month for gasoline prices, so the decline in not seasonally adjusted prices became even more pronounced in the seasonally adjusted data. While this is the extreme case, it is not the only category in which the decline in retail sales was amplified by falling prices, apparel being another example, as the retail sales data are reported in nominal terms, i.e., they are not adjusted for changes in prices.

It is likely that the broad patterns evident in the March data will be repeated in the April data, but it is also likely that the magnitude of the changes will be even larger. It is hard to picture how sales in many of the broad categories will not drop all the way to zero, while grocery stores and general merchandise stores (which includes warehouse/club stores) will account for the bulk of retail sales.

Though the decline in retail sales in March may seem hard to process, keep in mind that it does not even begin to capture the extent to which consumer spending fell off the table. The retail sales data do not capture spending on services, which account for over two-thirds of consumer spending as measured in the GDP data. As such, it won't be until April 30, when the BEA releases their data on total consumer spending, that we have a more complete view of the drop-off in consumer spending in March.

