US Retail Sales (Mar)

The slump in March retail sales was historic, but not unexpected given current circumstances. Headline sales fell 8.7%, which given the current uncertainty surrounding these numbers should be considered in-line with the -8% consensus. As shown by the earlier industry data, auto sales were a big negative contributor to the headline print. Meanwhile, the 17.2% decline in sales at gas stations went beyond the 10.5% seasonally adjusted fall in gasoline prices during the month, as cars sit idle on people’s driveways due to social distancing measures. Those measures also had an outsized impact on restaurant sales, which slumped 26%.

However, stripping out those more volatile elements, sales on the control group (sales excluding autos, gasoline, building materials and restaurants) were actually up 1.7% (against expectations for a similarly sized decline). That reflected stock-piling at food/beverage stores, where sales were up by slightly more than 25% on the month. Health/personal care stores also saw an increase. However, this stockpiling won’t be repeated in the April data, and by then some of the declines in other areas where shops have closed will become more apparent. March data already showed that clothing, sporting goods and furniture sales were down sharply.

With March data only capturing about half a month of lockdown and distancing measures and being flattered slightly by stock-piling in some areas, a further, similarly sharp, decline in headline sales is likely to be seen in April before we see some sort of stabilization and then hopefully partial recovery. With markets already focusing more on what that recovery will look like, today’s data, while dismal, may be met with little market reaction.