

March Retail Sales... Do We Even Dare Peek?

April 15, 2020



Stocks fell on this “non-Tax Day” — it would be asking too much to have stocks rise and not have to pay taxes on the same day. The Dow Jones Industrial Average fell 445 points or 1.9%, while the S&P 500 slipped 63 points or 2.2%. The Nasdaq Composite was lower by 123 points, or 3.9%. While today’s stock market drop was significant it didn’t quite give back the gains earned on Tuesday.

Wednesday marked the day when investors would get a look at just how far retail sales slid in March. Consumers represent 70% of the economy, so retail sales have an outsized impact on the economy. Headline retail sales plunged a record 8.7% during March – worse than the 8% drop expected by economists. There were some numbers that made you want to shield your eyes when you read them. Department store sales sank 24%, furniture store sales dropped 27%, sporting goods sales plunged 23%, auto and auto parts sales dropped 26%, retail gas fell 17%, restaurant and food services lost 27% of their sales and clothing retailers sustained a brutal 51% drop in sales.

However, there was some positive numbers as “core retail sales” (excluding volatile auto and gas) fell 3.1% in total, much better than the drop of 5.2% that was expected. Grocery stores jumped 27% and online retailing rose 3.1% providing a bit of ballast to the drop in retail sales.

We suspect that, while March was bad, April will be worse, as grocery stores will have worked through consumer’s initial home pantry stock up. Some economists are projecting consumption to fall 17% in the second quarter which would be the worst sequential comparison since WWII. The numbers will be bad, but the question is will the stock market care, or is the market looking past a certainly awful 2nd quarter to what Q3 holds. It is no secret that second quarter retail sales will be bad, if they don’t erode much from current expectations, then the impact may be more muted than one would expect. Now we brace ourselves for Thursday’s jobless claims report.

