August U.S. Retail Sales

Overview

- Retail sales excluding auto and gas were up for the third consecutive month, missing expectations of 0.9% and rising 70 bps; however growth is slowing on a sequential basis with August gains down from July's 1.1% gain
- Consumers' focus on the home continues, with strong sales in furniture and building materials, offset by deceleration in sales at department stores and sporting goods
- Digital retail was surprising flat in August from the prior month, though sales rose 22.4% from last year, aided by increased fulfillment options, including curbside pickup

Seasonally Adjusted Retail Sales (% Change Month-Over-Month)
Source: U.S. Census, Bloomberg

Item	Aug 2020	Aug 2020 Estimate	July 2020 Revised
Total Retail Sales	0.6%	1.0%	0.9%
Retail Sales Ex Auto	0.7%	1.0%	1.3%
Retail Sales Ex Auto and Gas	0.7%	0.9%	1.1%
Retail Sales Control Group	-0.1%	0.3%	1.9%
By Category:			
Furniture	2.1%		0.9%
Electronics	0.8%		20.7%
Building materials	2.0%		-2.4%
Clothing	2.9%		2.2%
General Merch	-0.4%		-1.1%
Department stores	-2.3%		2.0%
Sporting goods, hobby, musical instrument and book stores	-5.7%		-5.3%
Gasoline Stations	0.4%		4.4%
Food Service/Drinking Places	4.7%		4.1%
Grocery	-1.6%		0.7%
Health and Personal Care	0.8%		4.5%
Nonstore	0.0%		0.3%

Breaking Down U.S. Retail Sales

August U.S. retail sales remained positive at 0.6%, though trends continue to decelerate significantly on a month-over-month basis, as the benefits of the stimulus, additional unemployment, and pent-up demand wane. Consumer spending continues to be concentrated in the home and electronics categories, as the duration of the work from home/ remote learning situation is unknown. Electronics sales rose 80 bps from July, corroborating commentary from retailers, such as **Best Buy**, which stated sales the first three weeks of 3Q rose 20% from the prior year. Similarly, home improvement retailers, such as **Home Depot** and **Lowe's**, as well as home furnishers, including **Wayfair** and **At Home**, also had robust starts to 3Q, with most anticipating this continues the remainder of the year. Though clothing store sales grew 2.9% from July, it's likely that much of this revenue was driven by discounted product, pressuring 3Q margins, due to weakness in back-to-school sales. The slow return of team and recreational sports dragged the category, which fell 5.7% from July, in what should have been one of its strongest seasons. The continuation of warmer summer weather, consumers' desire to be out and about, and looser restrictions remain key drivers of the 4.7% jump in food service (restaurants/bars) sales. While this trend likely continues for the next couple of months, there is great risk to this category if indoor dining remains prohibited during winter months. While mass merchandisers and online sellers, as essential retailers with broad assortments across discretionary categories, have been some of the biggest winners during the pandemic, particularly the largest players such as **Target** and **Walmart**, the category as a whole slid 40 bps, as the decline of pantry stocking continues and more competitors open their stores. Non-store (online) sales have also been a pandemic winner, evidenced by robust growth at both **Amazon** and **Wayfair** and commentary from retailers across categories about the strength of their digital businesses; thus it was surprising that sales were only flat from July, which suggests that consumers are increasingly comfortable returning to stores to shop.

While August results are strong on an absolute basis, the continuing deceleration of trends is a concern, considering the future health of the economy and the consumer remains a question, especially during an election year and if there is a second wave or additional mandated store closures. Despite discussions of extending unemployment benefits and offering another stimulus, nothing has yet been passed, pressuring spending and hiring; through August 31, there was a 23% increase from July in businesses that closed, with 60% of businesses closed during the pandemic never reopening, according to Yelp's latest Economic Average Report, released September 16, 2020. September trends likely show a continued slowdown, though we expect a pickup towards the end of the month and heading into November, as holiday promotions and sales start even earlier this year.

Seema Shah, Director of Consumer and Retail Trends: 1-800-789-0123, ext. 129