

## Economics Group

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## Retailers Have Mixed Experiences as Spending Shifts Again

*Retail sales rose to a record high, although the increase was short of expectations and the details showed some payback for the high-flyers in prior months. E-commerce was flat, grocery stores and sporting goods fell.*

### Sometimes It Takes a While for a Rising Tide to Lift All Ships

Retail sales rose 0.6%, but that fell short of consensus expectations for a 1.0% gain. Remember, today's figures are for August sales and an important factor to consider is that this was the first post-pandemic month without the additional \$600/week top-up from the federal government for unemployment benefits.

The pandemic may not yet be in the rearview mirror, but with this fourth straight monthly increase, the level of retail sales rose to a fresh record high making it appear as though consumer spending has fully recovered. The underlying details are less tidy, however, and a comparison of how retailers have fared by store type offers a snapshot of the unusual way U.S. households have spent their money in a summer that changed the face of retail.

Not all stores are back to business as usual. With many kids not going back to school in person and parents looking for laptops and other accessories for remote learning, electronic stores saw a 0.8% increase in August, but electronic stores remain 2% shy of their pre-crisis peak.

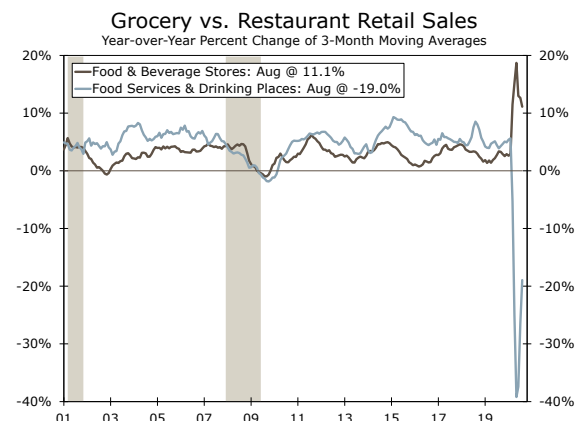
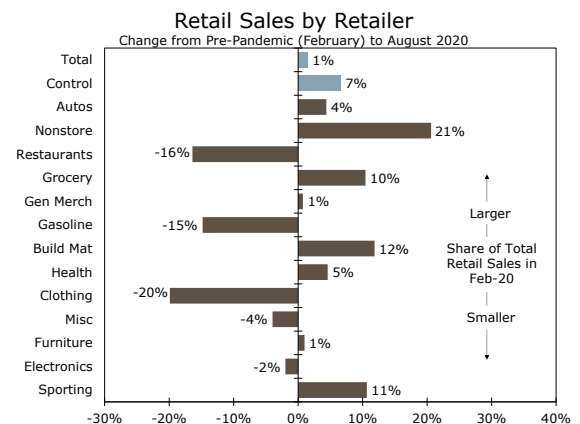
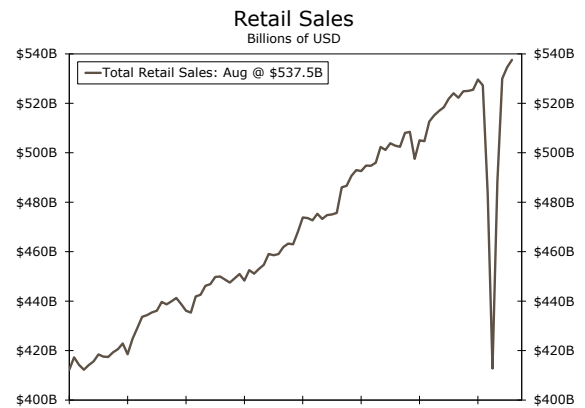
People are driving again, but commutes to the office are still way down from pre-pandemic levels which explains why even after a 0.4% pick-up at gas stations in August, the category is still 14.8% below where it was before the virus struck.

The work from home uniform may be a comfortable change of pace for office workers whose only previous respite was casual Friday, but the shift to sweats and PJs brings cold comfort to clothing stores, with sales down 87% between January and April (peak-trough). Clothing store sales climbed 2.9% in August, but the category is still off 20% from its high—putting it in last place among major store types in a ranking of the post-COVID rebound.

### Grab Your Facemask, We're Going Out to Eat

The category that draws a lot of attention in this era of social distancing is the restaurant space. For months, instead of going out to eat, consumers instead flocked to grocery stores or dispatched gig-workers to shop for them resulting in an impressive surge in business at supermarkets across the country and resulting in shortages of bread and milk then eventually yeast and flour as well. This resulted in restaurants and bars shifting to take-out and led to a sudden drop that cut sales by more than half between January and March.

Despite seating limitations for on premise dining and virus flare-ups in some parts of the country during August, people had apparently had their fill of cooking and cleaning and were ready to go out to eat. Restaurants and bars saw a 4.7% increase in August while grocery stores saw sales slip 1.6%. Still, even with the increase, bars and restaurants are down 16% from their pre-crisis peak. Retail sales tend to be more goods-oriented and most of the weakness in recent months has been on the services side of spending.



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