

Economic Indicator — April 15, 2021

March Retail Sales: In Like a Lion...Out Like a Pride of Lions

Summary

Retail sales shot up 9.8% in March, handily exceeding consensus expectations in what will go down as the second best month on record for retailers, exceeded only by the reopening last May. Control group sales rose 6.9% and point to a robust pace of goods spending in the first quarter.

Economist(s)

Tim Quinlan

Senior Economist | Wells Fargo Securities, LLC
tim.quinlan@wellsfargo.com | 704-410-3283

Shannon Seery

Economist | Wells Fargo Securities, LLC
shannon.seery@wellsfargo.com | 704-410-1681

U.S. Retail Sales: March 2021												
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Retail Sales (MoM)	-14.8	18.3	8.6	1.1	1.4	1.7	-0.1	-1.3	-1.3	7.7	-2.7	9.8
Retail Sales (YoY)	-19.9	-5.6	2.2	2.7	3.6	6.1	5.4	3.8	2.3	9.6	6.7	27.7
Retail Sales (% Change from Jan-20)	-21.9	-7.7	0.2	1.3	2.8	4.5	4.4	3.1	1.8	9.6	6.6	17.1
Retail Sales, Ex. Autos (MoM)	-15.3	12.3	8.4	1.6	1.5	1.4	-0.2	-1.2	-2.1	8.4	-2.5	8.4
Retail Sales, Ex. Autos (YoY)	-16.6	-6.7	0.8	1.7	3.2	4.8	4.2	3.3	0.5	8.3	5.8	19.4
Control Group Sales (MoM)	-12.6	10.0	6.1	1.3	1.0	1.2	-0.2	-1.0	-2.9	8.8	-3.4	6.8
Control Group Sales (YoY)	-7.2	1.4	6.9	7.7	8.7	10.4	9.7	9.1	5.6	14.3	10.3	13.8

Notes: MoM = Month-over-Month Percent Change
YoY = Year-over-Year Percent Change

Source: U.S. Department of Commerce and Wells Fargo Securities

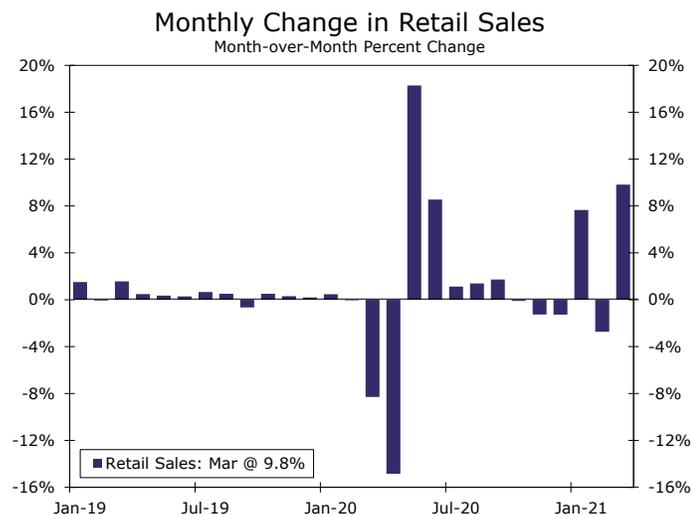
All estimates/forecasts are as of 4/15/2021 unless otherwise stated. 4/15/2021 9:45:26 EDT. Please see page 4 for rating definitions, important disclosures and required analyst certifications. Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

This report is available on Bloomberg WFRE

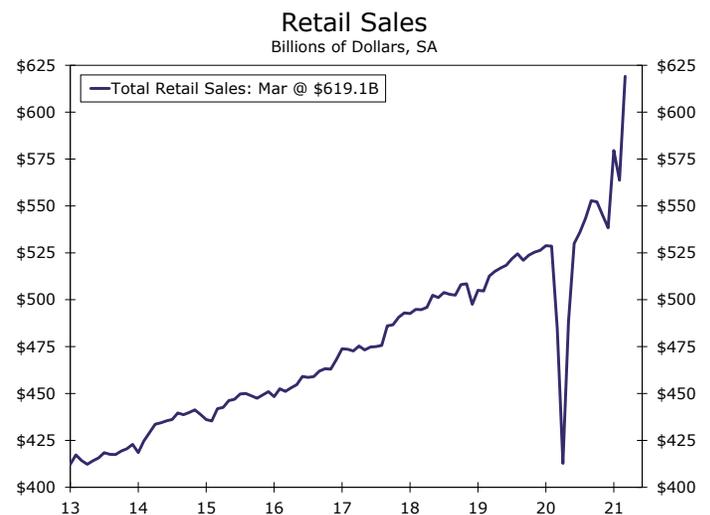
Good Day Sunshine: Better Weather and Better Days for Retailers

March started out with retailers still under pressure from February's deep freeze which put a chill on spending activity; but consumers hit stores in March with a pocketful of money and eager to make up for lost time.

The 9.8% increase in overall retail sales during the month is exceeded only by the surge tied to the reopening of the economy in May 2020 after the lockdowns (see [chart](#)). Said differently, the three largest monthly percentage gains on record for retail sales have occurred in the past 10 months. Don't call it base effects either—the level of retail sales is a stunning 17% higher than it was before the pandemic hit (see [chart](#)). In data going back to the 1990s, retail sales have never exceeded 12% on year-over-year basis. With consumers still sitting on a pile of accumulated savings combined with the expected reopening of the service economy this summer, our forecast looks for a consumer spending boom this year that will rival any in living memory for most Americans.



Source: U.S. Department of Commerce and Wells Fargo Securities



Source: U.S. Department of Commerce and Wells Fargo Securities

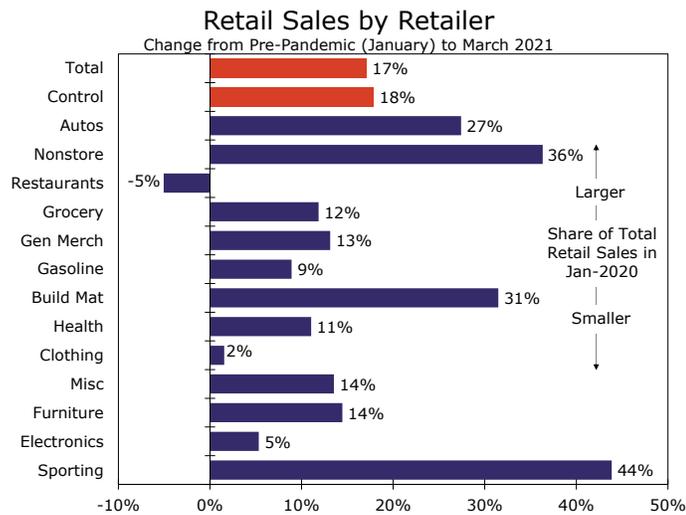
Broad Advance Across Retailers

Everybody wins when consumers are flush with stimulus checks. Without exception, every store type posted better sales in March with the top-spot going to sporting goods stores right in time for the resumption of outdoor sports. As the [chart below](#) shows, sporting goods stores have been the top-winner during the pandemic, with sales 44% above where they were at the peak of retail sales prior to the COVID outbreak.

It was a good month at last for the clothing stores and apparel retailers that were able to survive what has been a terribly difficult year, as these clothing stores saw sales shoot up 18.3% from February.

As the weather in March improved from the freezing weather in February, dining igloos and yurts gave way to patios and socially distanced sidewalk tables. The increased traffic at bars and restaurants is showing up in the data as well with this category boasting a 13.4% increase in March. The long-awaited rebound is good for the hospitality sector, but grocery stores had to settle for a comparatively scant monthly increase of 0.5%. That could be a pre-cursor of a theme this year in which the high times for grocery stores gradually winds down as people go out to eat again. Restaurants are the only store type still underwater from where they were before the pandemic; although one more good month will put them in the black.

Other notable mentions include motor vehicles and parts which posted a 15.1% increase in March. We are not rushing to judgement on autos because the story here is complicated by supply chain disruptions and availability of vehicles. Building materials and garden stores more than bounced back after a soft February with a 12.1% pickup in March.



Source: U.S. Department of Commerce and Wells Fargo Securities



Source: U.S. Department of Commerce and Wells Fargo Securities

Stimulus Money Is Burning a Hole in Consumer Pockets...for Now

March sales were undoubtedly boosted by the latest round of economic impact payments (direct checks) designated to households under the American Rescue Plan. By our estimates, nearly 80% of the latest round of direct checks were sent to households by the end of March, but payments did not start going out till the second half of the month. This suggests that if sales are not due for payback in April, we may see some in May.

Some households are set to get another influx of cash from the American Rescue Plan's temporary expansion of the Child Tax Credit. Cash should start flowing to households sometime in the second half of this year. But overall stimulus is fading, and there is a risk the consumer recovery could stall or at least slow.

We are of the view that the ample amount of personal savings households have built up over the past year (see [chart](#)) should prevent goods spending from fading too quickly after surging during the pandemic. That said, it is services spending that we expect to pick up and drive the overall recovery in consumption this year. As the public health situation continues to rapidly improve, warmer weather sweeps the nation and consumers regain confidence to participate in in-person activities, the service sector should reopen.

Overall, this report presents upside to our first quarter forecast for PCE to grow at an annualized rate of 7.2%.

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

The 2021 Annual Economic Outlook: *Aftershocks and Divergence in the Post-Pandemic Economy* is available at wellsfargo.com/economicoutlook

Via The Bloomberg Professional Services at WFRE

And for those with permission at research.wellsfargosecurities.com

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	International Economist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	International Economist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economist	(704) 410-1681	shannon.seery@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Nicole Cervi	Economic Analyst	(704) 410-3059	nicole.cervi@wellsfargo.com
Sara Cotsakis	Economic Analyst	(704) 410-1437	sara.cotsakis@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes this report directly and through affiliates including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

The information in this report has been obtained or derived from sources believed by Wells Fargo Securities, LLC to be reliable, but Wells Fargo Securities, LLC does not guarantee its accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or upon any opinions set forth herein. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial product or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2021 Wells Fargo Securities, LLC

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE