



Retail Sales Set Record Jump Going Back to 1992

Combined with surprising jobs numbers, hopes for a faster recovery heat up

On June 16, 2020, the U.S. Commerce Department reported that U.S. retail sales surged a whopping 17.7% in May, as consumers returned to shopping and spending.

The data from the Commerce Department was especially encouraging since economists surveyed by Bloomberg only expected about an 8% increase and actual numbers were double expectations.

Layer on the fact that May employment numbers revealed that we added 2.5 million – versus a consensus expected loss of jobs of 9 million – it's no wonder that hopes for a V-shaped economic recovery were the talk of Wall Street.

Retail Sales Jump

The U.S. Census Bureau (part of the Commerce Department) conducts the *Advance Monthly Sales for Retail Trade and Food Services Survey* to provide an early estimate of monthly sales for retail and food service firms nationwide.

Each month, questionnaires are mailed to a sample of about 5,500 firms selected from the larger *Monthly Retail Trade Survey*. As such, the *Retail Trade and Food Services Survey* is an important subset report that tracks patterns in consumer spending.

On Tuesday, the Census Bureau released the following:

- Advance estimates of U.S. retail and food services sales for May 2020 increased 17.7% from the previous month, but are 6.1% below May 2019
- Total sales for the March 2020 through May 2020 period were down 10.5% from the same period a year ago
- Retail trade sales were up 16.8% from April 2020, but 1.4% below last year
- Non-store retailers were up 30.8% from May 2019, while building material and garden equipment and supplies dealers were up 16.4% from last year

The June 2020 Advance Monthly Retail report is scheduled for release on July 16, 2020 at 8:30 a.m. EDT.

Why Retail Sales Matter

The huge jump in retail sales in May comes after two consecutive months of record declines in March and April, as COVID-19 forced business to close. May's sharp retail sales recovery is another signpost that bodes well for an economic recovery, especially from a psychological perspective.

But more important than that is that fact that consumer spending makes up almost 70% of our

GDP. Further, the jump in retail sales in May was broad-based, as every category of sales posted a gain.

Consider that:

- Clothing and clothing-accessories stores jumped 188%;
- Furniture and home-furnishing sales jumped 90%;
- Stores focused on sporting goods, hobbies, musical instruments and books jumped 88%;
- Electronics and appliance stores jumped 51%;
- Motor vehicle sales jumped 44%; and
- Restaurant sales jumped 29%.

Finally, this 17.7% advance from April amounted to \$485 billion in receipts and was the biggest gain in retail sales going back to 1992.

What Should Investors Do?

Well, for starters, there is never a single answer that can provide good direction for all investors. But generally speaking, investors should only make allocation changes if something significant has changed – marriage, new job, loss of job, new baby, divorce, new house, college, etc.

Long-term investors are best served by recognizing that it is still way too early to see if these retail sales or job growth numbers are sustainable over the coming months. But, it sure is nice to see some positive economic news for a change.

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