

# RESEARCH BRIEF

## RETAIL SALES

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### October Retail Sales Growth Returns to More Traditional Levels

**Retail sales gains slow.** Buoyed by Amazon Prime Day sales, retail sales inched up 0.3 percent in October. Core retail sales ticked up 0.2 percent last month as the pace of consumer spending gains returned to normal levels. Future gains in several sectors remain in doubt due to a flurry of new restrictions across the country as coronavirus case counts rise. New York, New Jersey and New Mexico have already announced tighter limitations due to higher hospitalization and infection rates. Several counties in California have also moved into elevated restriction definitions. Over the coming months, more localities are anticipated to enact more stringent orders to prevent the spread of the virus.

**Local retailers disproportionately impacted by spike in cases.** Since the onset of the health crisis, retail vacancy has climbed by 50 basis points to 5.5 percent. Much of the rise has occurred due to the permanent shuttering of smaller retailers that could not manage a monthslong lockdown without support from the federal government. Most aid from the CARES Act dissipated over the summer and many retailers have closed due to the lack of revenue. Further losses are anticipated to extend over the winter months especially due to the lack of additional fiscal stimulus.

**Northern states face greater hurdles.** Outside dining is an avenue for many restaurants to remain open during the health crisis. However, those businesses located in cold-weather climates will have a more difficult time maintaining sufficient revenue to manage payrolls absent government aid. As the U.S. enters the winter months, combined with a spike in COVID-19 cases, attracting diners will be more challenging. Furthermore, many of these locales are facing a new round of lockdowns. Those restrictions are expected to increase the challenges to the sector. Other experience-based retailers, such as gyms, will also struggle to survive a new round of restrictions until a vaccine is widely distributed.

### Holiday Spending Has Upside Potential

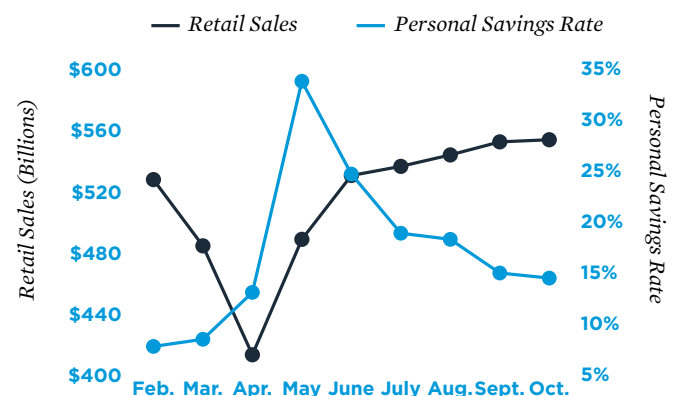
**Sidelined consumer capital could provide much needed support to retailers.** The personal savings rate has skyrocketed since the onset of the health crisis. The savings level spiked to a record 33.6 percent in April before moderating to a rate of 14.3 percent in September, which is still nearly twice the long-term average. Unemployment is also much lower in October than originally anticipated at the onset of the broad lockdowns. At 6.9 percent, the rate is well below initial forecasts from the Fed.

**Lower travel to boost holiday spending.** Several states will maintain strict rules regarding how many people can gather during the holiday season. Spending that was earmarked for holiday celebrations is expected to be shifted to consumption that are counted among retail sales. Although some of these sales will be online, many are anticipated to occur at traditional brick-and-mortar retailers. As a result, holiday sales could increase by approximately 3.5 to 5 percent relative to 2019.

**8.6%** Annual Gain in Retail Sales in October

**14.3%** Personal Savings Rate in September

### — Savings Rate Bodes Well for Holidays —



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Sources: IPA Research Services, U.S. Census; Bureau of Economic Analysis