

## Broadlines & Hardlines Retail

### March Retail Sales Slower; Assessing QTD for ORLY, HD, LOW, TGT, and WSM

**Census Retail Sales in March were up 0.6% sequentially (vs. February's -0.1% growth) above the Street's +0.3% forecast per Bloomberg.** February's data saw net neutral revisions, with sporting goods/hobby/books (+230 bps), home furnishings (+150 bps), home improvement (+60 bps), and grocery (+60 bps) seeing the largest upward revisions and CE (-140 bps), autoparts (-120 bps), and gen merch (-30 bps) seeing the largest downward revisions.

**Overall, March was a sluggish month with 6/10 categories we watch decelerating on a YOY basis using seasonally adjusted data relative to February, another 3 accelerating, and 1 flattish.** The categories with the largest sequential deceleration were clothing (-360 bps), CE (-210 bps), sporting goods/hobby/books (-210 bps), and home furnishings (-80 bps). Only gen merch (+110 bps), restaurants (+30 bps), and autoparts (+20 bps) accelerated while home improvement (+10 bps) was flattish.

#### Stepping back:

- **Autoparts calendar 1Q, which is relevant to ORLY quarterly timing, saw a modest acceleration relative to 4Q (+50-90 bps), which would peg ORLY at a low 2% comp vs. 1.3% in 4Q (recall at the start of April in our [QTD comp assessment note](#) for a number of names in our sector, we indicated downside risk to the 2.5-3.0% range vs. 3.5% consensus).**
- **Home improvement QTD slowed ~250 bps relative to 4Q. Based on HD's 7.2% gain in 4Q and LOW's 4.2%, this simplistically puts HD at a high 4% range QTD and LOW at a high 1%.** In the above referenced note, and in our [store tours](#) last week, we indicated a ~5% gain for HD and ~2% for LOW.
- **For TGT, the QTD trends reported by the Census (seasonally adjusted) indicate a 120-bp moderation QTD 3.6% in 4Q. Recall, last week following our meetings/store tour with [management](#), we noted comfort with a low 2% comp for TGT so far in 1Q.**
- **Lastly, for WSM, the Census data indicate a 220-240-bp slowdown vs. 4Q's 5.4% vs. the current consensus of 4.0%**

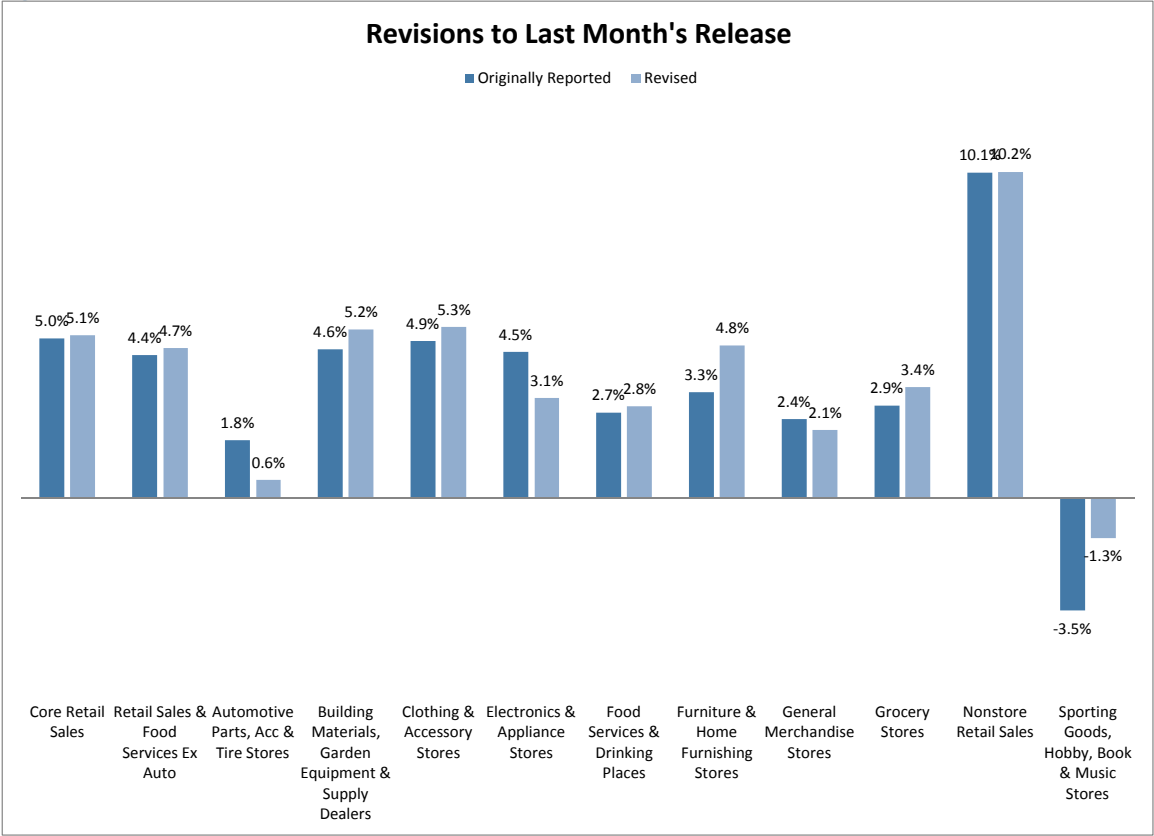
**Looking ahead, compares step up into April for 5/10 categories including home improvement, CE, gen merch, sporting goods, and autoparts.**

Figure 1: Retail Sales

Retail Sales by Category	Mar-18	Feb-18	Jan-18	3M Avg	Mar-17	Apr-17	May-17
<b>Core Retail Sales</b>	4.7%	5.1%	4.1%	4.6%	4.2%	4.8%	4.5%
<b>Retail Sales &amp; Food Services Ex Auto</b>	4.5%	4.7%	4.3%	4.5%	4.8%	4.5%	3.8%
Automotive Parts, Acc & Tire Stores	0.8%	0.6%	-0.9%	0.1%	0.5%	0.7%	0.4%
Building Materials, Garden Equipment & Supply Dealers	5.3%	5.2%	4.4%	5.0%	4.6%	7.7%	9.4%
Clothing & Accessory Stores	1.8%	5.3%	1.9%	3.0%	1.7%	1.6%	0.6%
Electronics & Appliance Stores	1.0%	3.1%	3.0%	2.4%	-1.2%	1.9%	-0.5%
Food Services & Drinking Places	3.1%	2.8%	2.1%	2.7%	3.8%	3.0%	3.1%
Furniture & Home Furnishing Stores	3.9%	4.8%	4.9%	4.5%	5.6%	4.2%	4.8%
General Merchandise Stores	3.2%	2.1%	2.4%	2.6%	0.6%	1.6%	1.3%
Grocery Stores	2.9%	3.4%	3.4%	3.2%	3.6%	2.5%	2.2%
Nonstore Retail Sales	9.7%	10.2%	9.2%	9.7%	12.5%	11.1%	10.4%
Sporting Goods, Hobby, Book & Music Stores	-3.3%	-1.3%	-7.2%	-3.9%	-4.4%	-3.5%	-5.1%

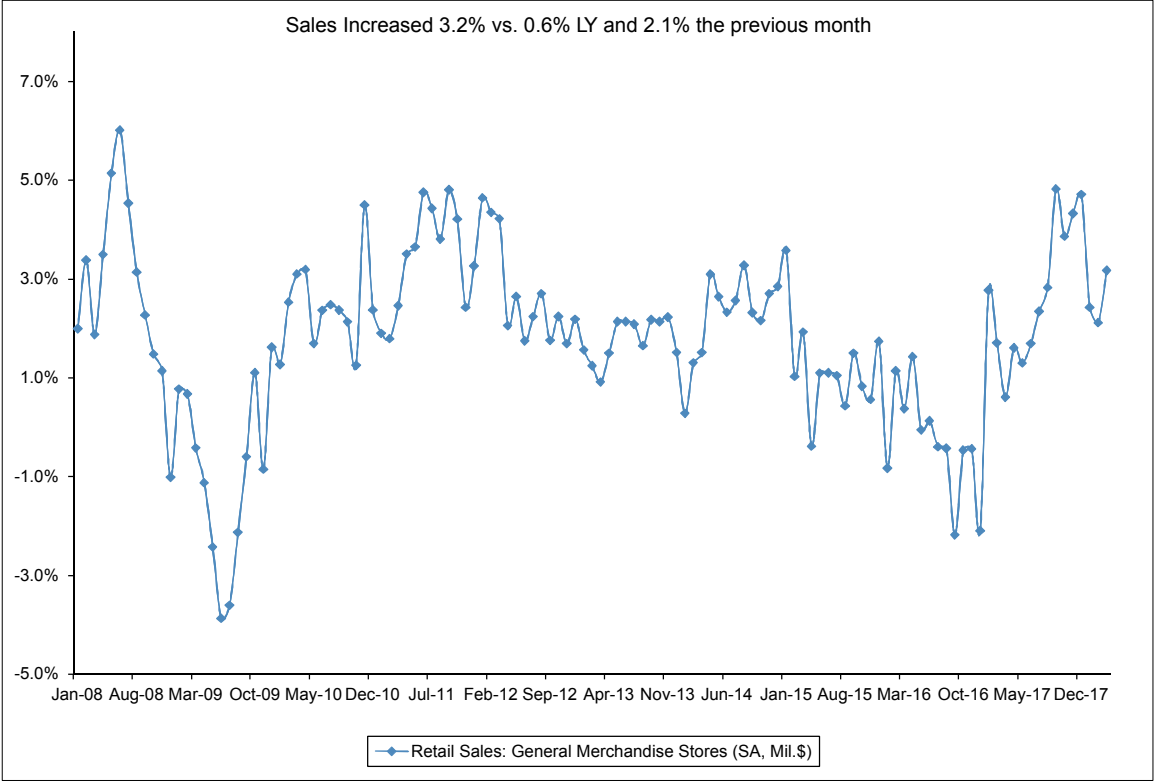
Source: U.S. Census Bureau.

Figure 2: Revisions to Last Month's Data



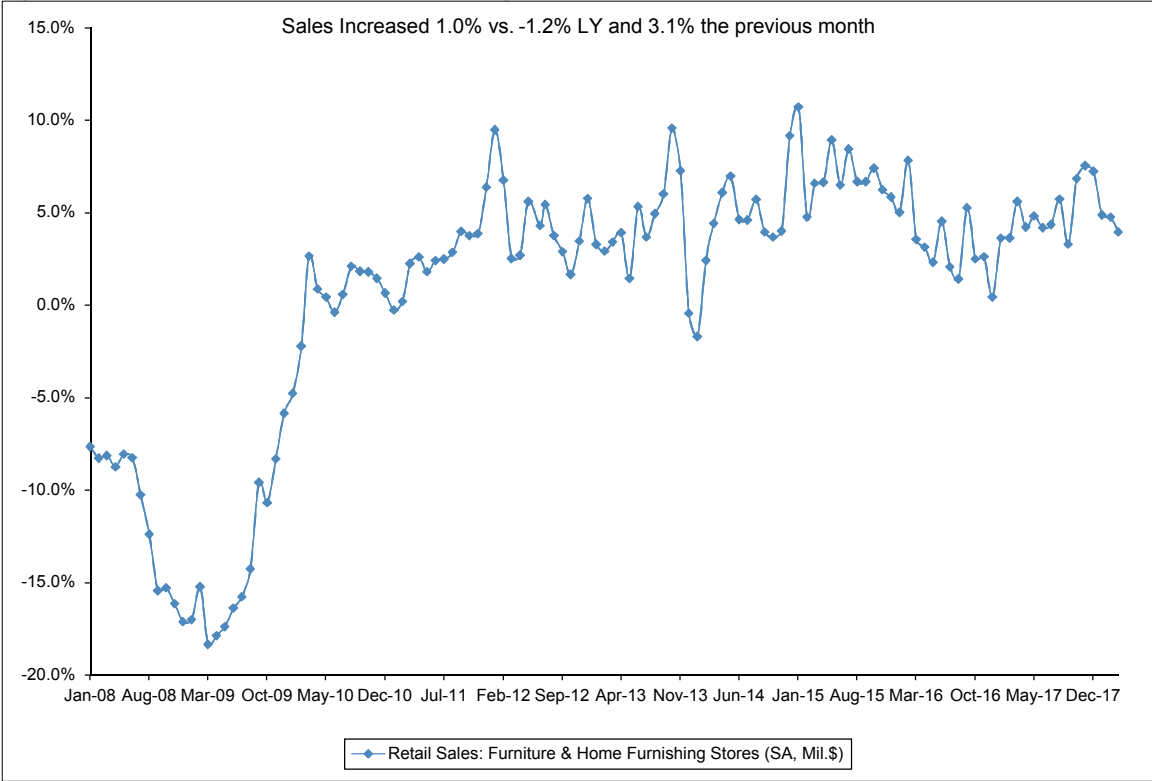
Source: U.S. Census Bureau.

Figure 3: Retail Sales: General Merchandise Stores (SA)



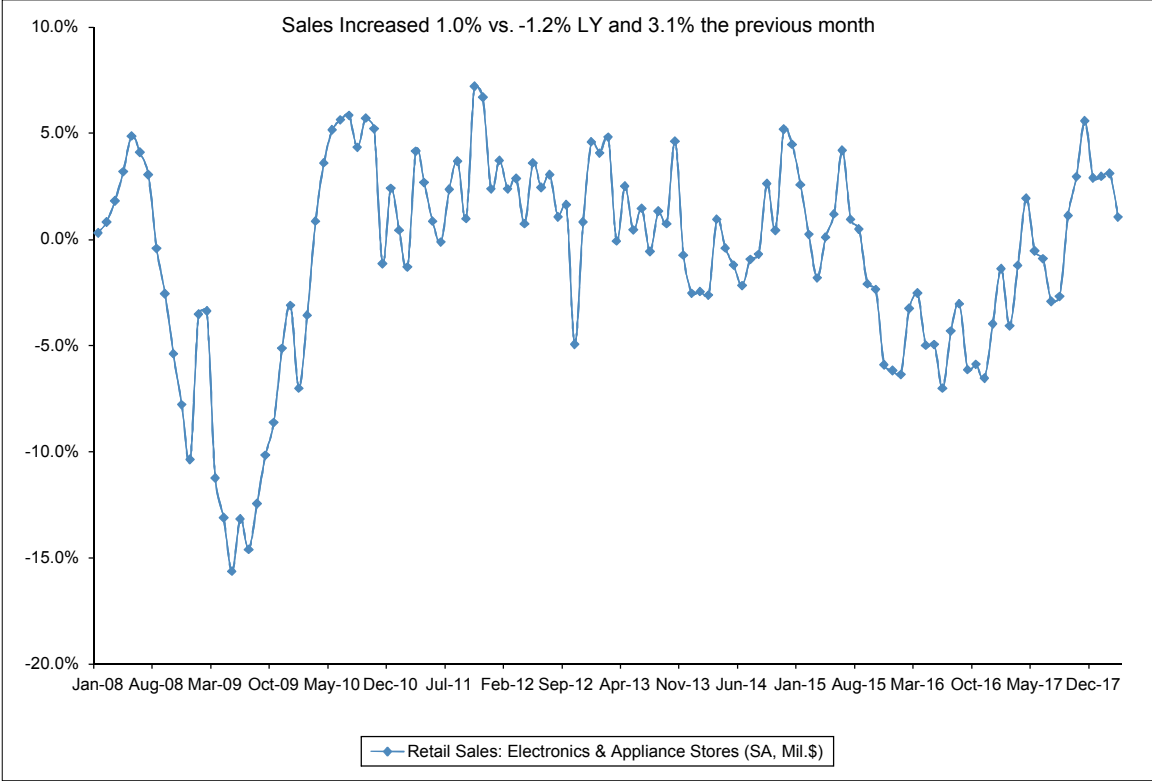
Source: U.S. Census Bureau.

Figure 4: Retail Sales: Furniture and Home Furnishings Stores (SA)



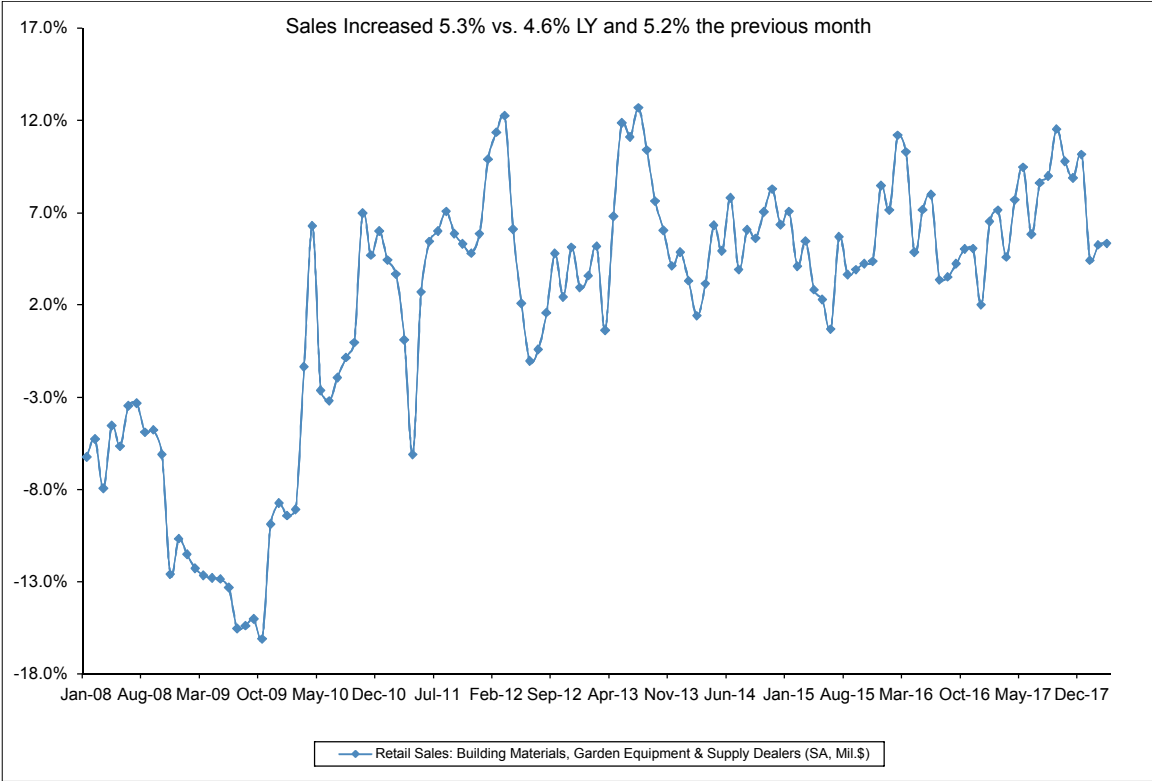
Source: U.S. Census Bureau.

Figure 5: Retail Sales: Electronics & Appliance Stores (SA)



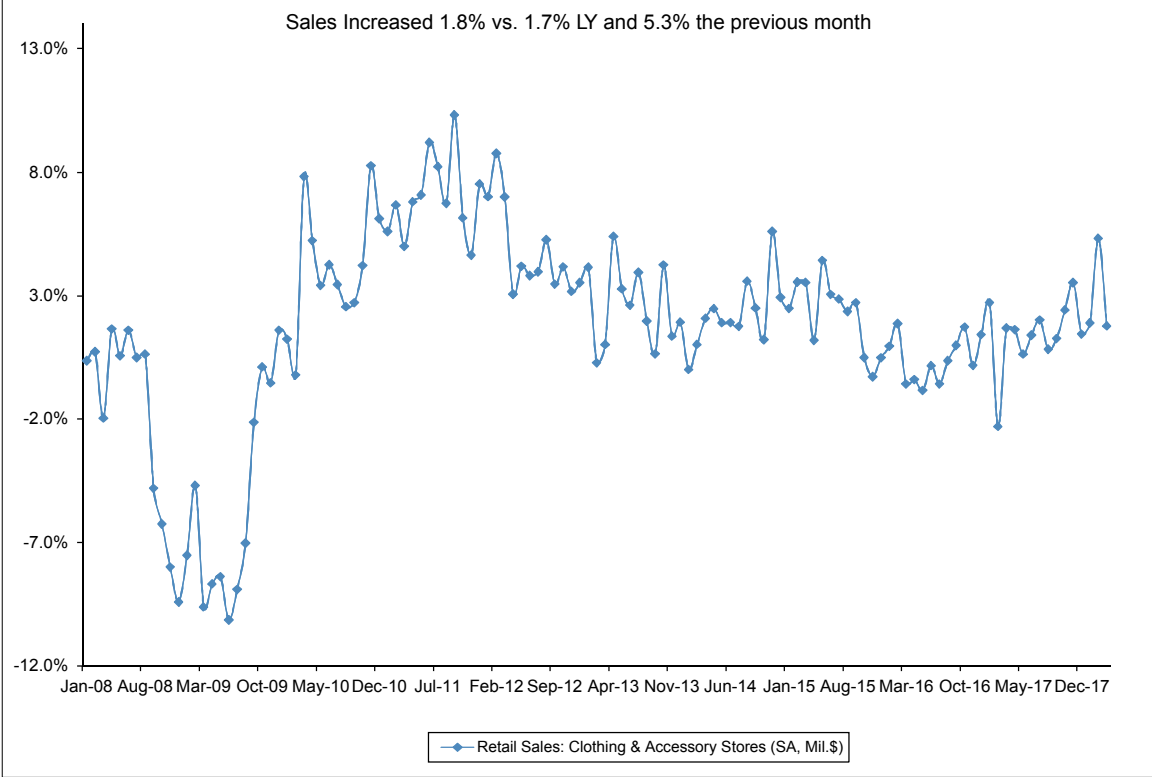
Source: U.S. Census Bureau.

Figure 6: Retail Sales: Building Materials, Garden Equipment & Supply Dealers (SA)



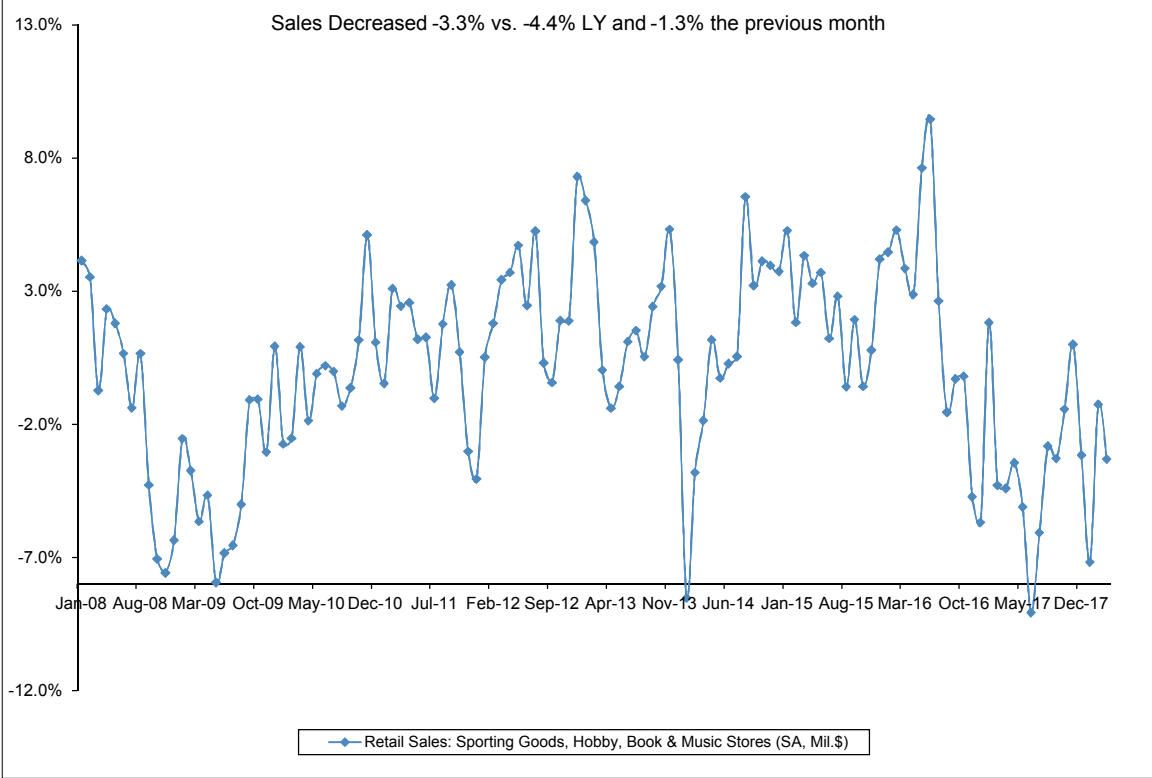
Source: U.S. Census Bureau.

Figure 7: Retail Sales: Clothing & Accessory Stores (SA)



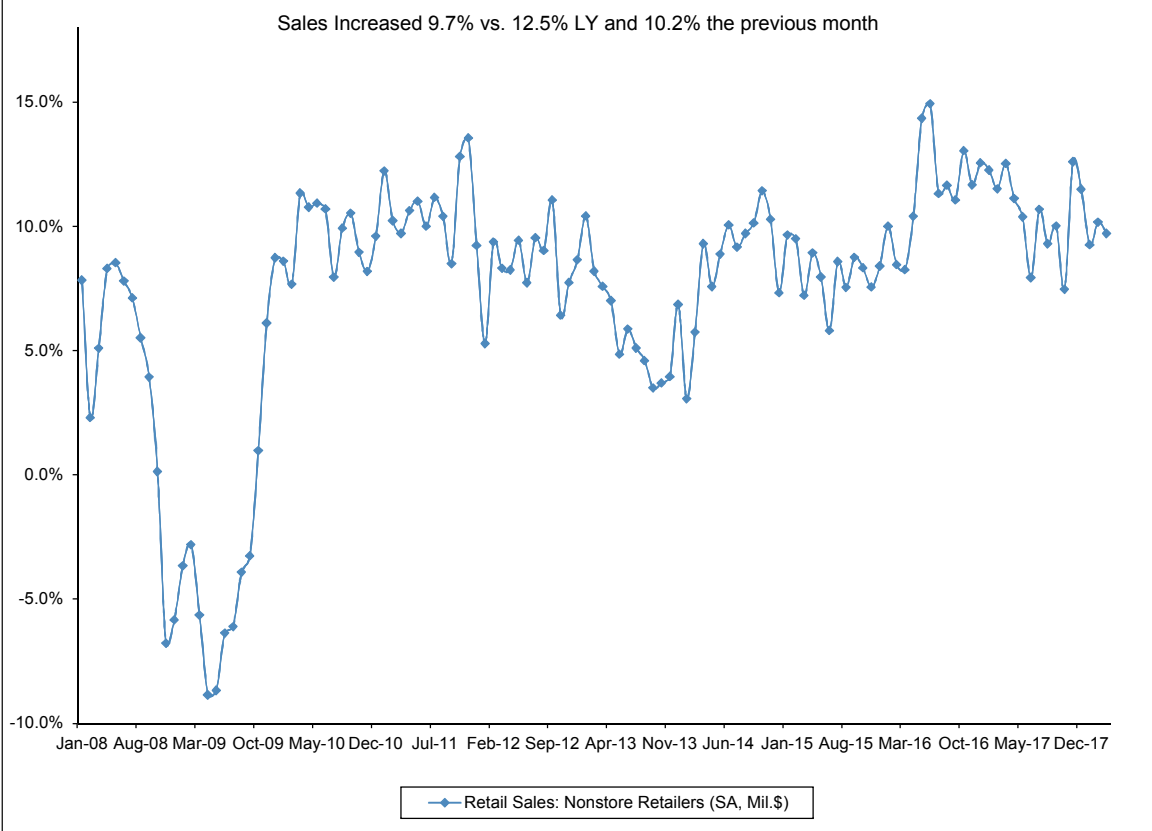
Source: U.S. Census Bureau.

Figure 8: Retail Sales: Sporting Goods, Hobby, Book & Music Stores (SA)



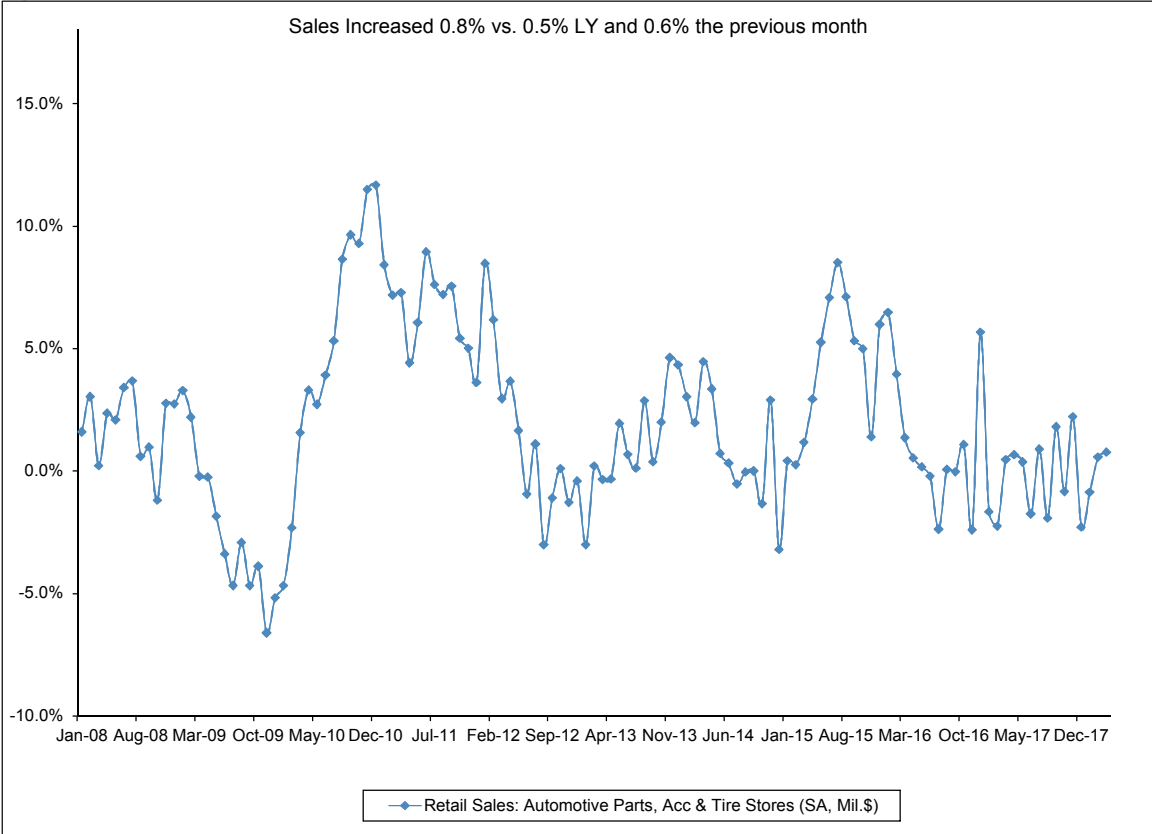
Source: U.S. Census Bureau.

Figure 9: Retail Sales: Non-store Retailers (SA)



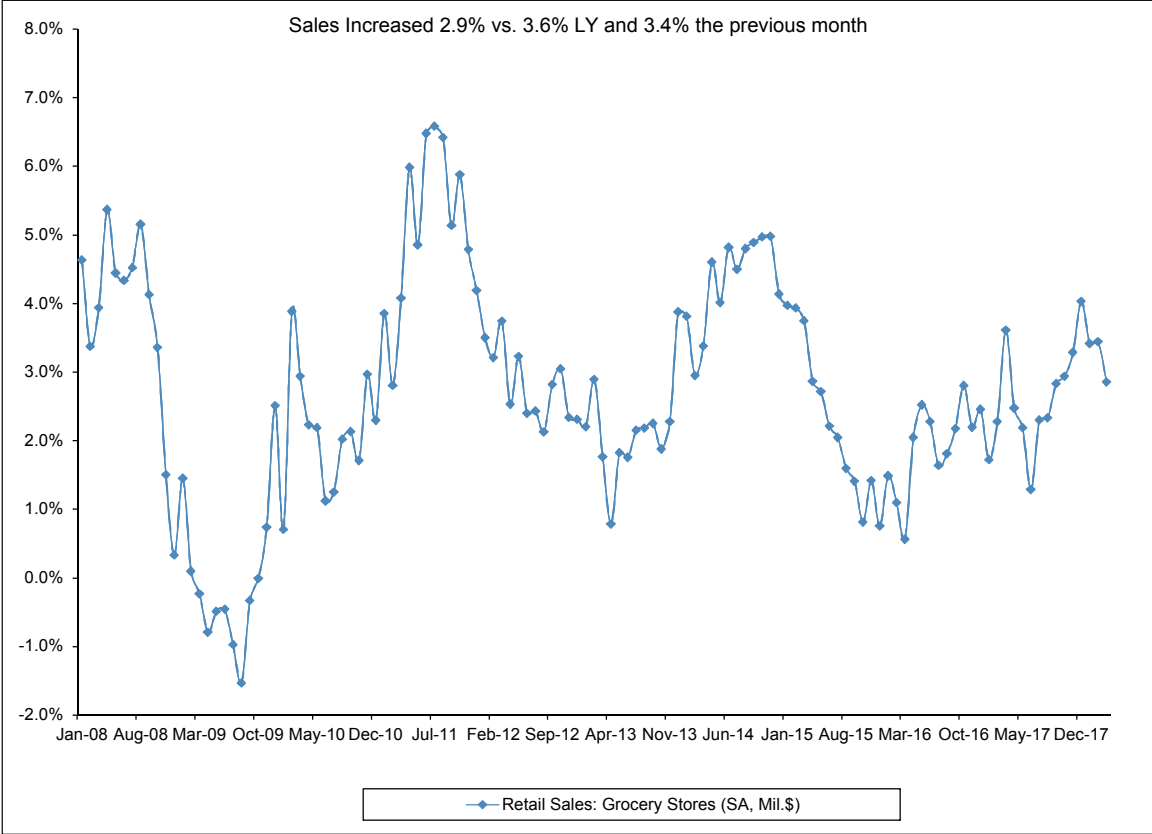
Source: U.S. Census Bureau.

Figure 10: Retail Sales: Auto parts, accessories, and tire stores (SA)



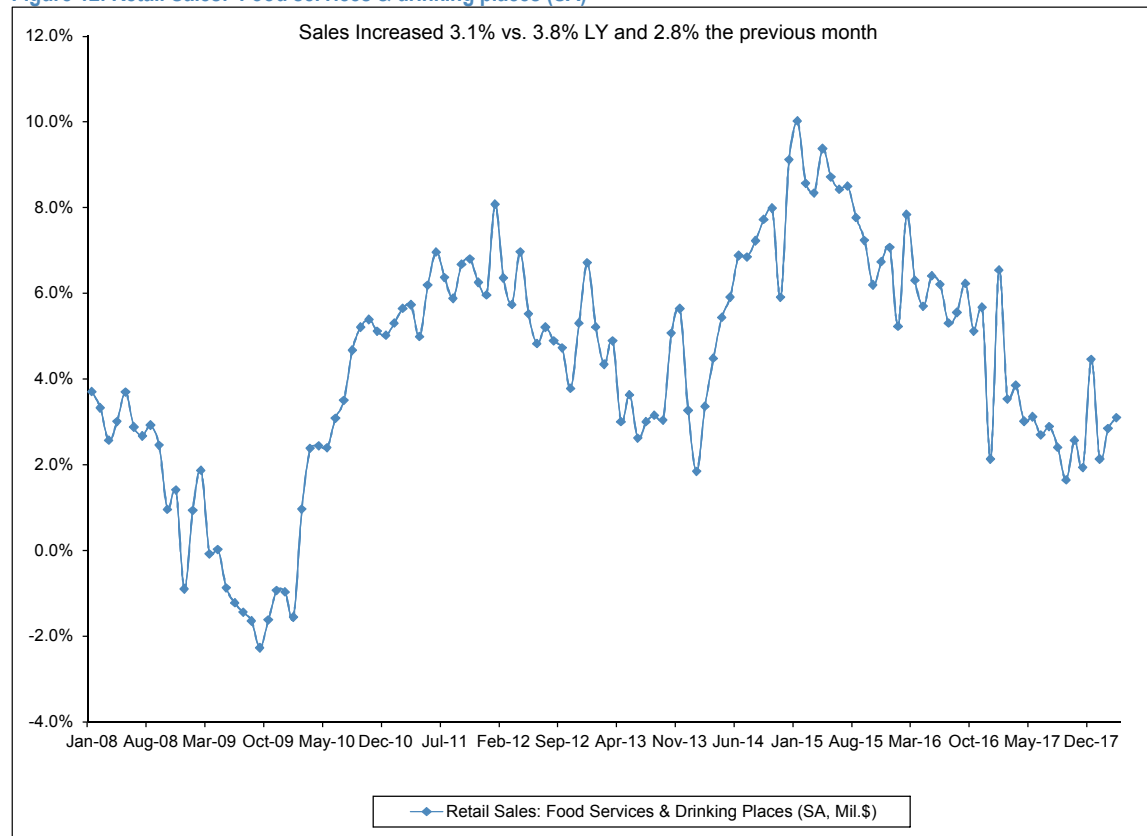
Source: U.S. Census Bureau.

Figure 11: Retail Sales: Grocery Stores (SA)



Source: U.S. Census Bureau.

Figure 12: Retail Sales: Food services & drinking places (SA)



Source: U.S. Census Bureau

## Retailing/Broadlines & Hardlines

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