COVID-19 is accelerating the structural shift in US retail

Trends that permeated the retail landscape prior to COVID-19 have intensified, including a pronounced rise in online shopping and increased bifurcation between stronger and weaker sectors.

Retail sectors ranked from highest to lowest EBIT pressure from COVID-19

- Specialty Stores
- Apparel & Footwear
- Department Stores
- Convenience Stores
- Off-Price
- Supermarkets
- Dollar Stores
- Discounters / Warehouse
- Auto Retailers
- Home Improvement
- Online

Downgrades have been concentrated in sectors with weakest EBIT recovery prospects

- % Rated Debt Downgraded: 14%
- % Issuers with Negative Outlook / RUR: 67%
- 2020: ↓ -125% -25%
- 2021: ↓

The four "red" sectors which face the highest EBIT pressure also have the lowest outstanding debt.

For the 2nd Quarter 2020

- US Retail Online Sales: +25.2% ($477.2 B)
- US Retail Brick & Mortar Sales: -8.2% ($97.9 B)

US retail speculative grade default forecast shows peak in December 2020

- After peak, will ease to 12.6% in June 2021

*December 2019 and June 2020 are the actual default rates.

The migration online is accelerating

Retail's migration online is accelerating

For more information, visit moodys.com/retail