

Home Depot posts its biggest revenue miss in more than two decades

Article

The news: The stagnant housing market and tough year-over-year comps are finally catching up to **Home Depot**. The company reported:

- Sales were \$37.3 billion in fiscal Q1, down 4.2% year-over-year (YoY).
- Comparable sales decreased 4.5%, and comparable sales in the US fell 4.6% YoY.

- Net earnings for the first quarter of fiscal 2023 fell 6.6% to \$3.9 billion, or \$3.82 per diluted share, down from \$4.2 billion, or \$4.09 per diluted share, a year earlier.

While Home Depot noted cold weather and lumber deflation impacted its Q1 numbers, its challenges run deep as it forecasted a decline of 2% and 5% for the fiscal year. That's down from its previous outlook of roughly flat sales.

The challenge: After many stuck-at-home consumers embarked on home improvement projects early in the pandemic, there are fewer prospective customers in the market for items like appliances and paint.

- The US housing market is also in a rut with pending home sales decreasing in March for the first time since November 2022, [per](#) the National Association of Realtors. With fewer people on the move, there are fewer shoppers buying products such as house paint, appliances, and patio furniture for their new homes.
- While many consumers continue to spend, they've pulled back on the exact type of expenses that fueled Home Depot's impressive run over the past few years, such as large-scale renovation projects, and big-ticket items such as patio sets and grills.
- Home-related items are often among the first category consumers cut back on when they [reduce](#) discretionary spending.

The big takeaway: The challenges faced by Home Depot are likely to be felt by a wide array of companies in the home goods space.

- Our [Retail & Ecommerce Sales, US forecast](#) expects the category to grow just 3.2% this year, which is the one of the slowest rates among the categories we track.

Retail Sales Growth, by Product Category

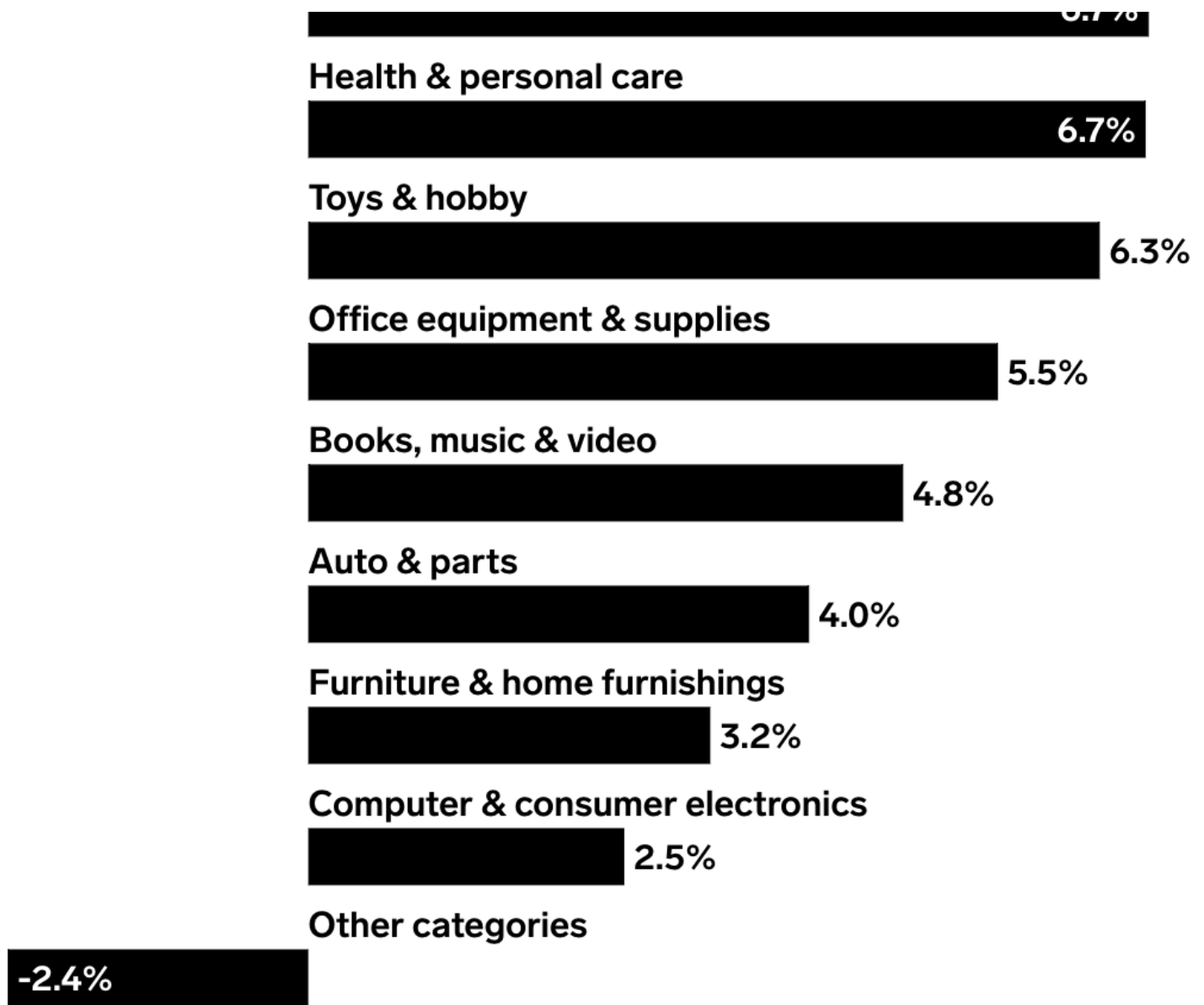
US, 2023, % change

Food & beverage

7.1%

Apparel & accessories

6.7%



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: eMarketer, February 2023

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