

## US: Retail sales continue to slumber

US retail sales missed expectations in February. Weather may have played a part, but with household incomes continuing to rise thanks to employment and wage growth gains, we remain upbeat on the sector's prospects



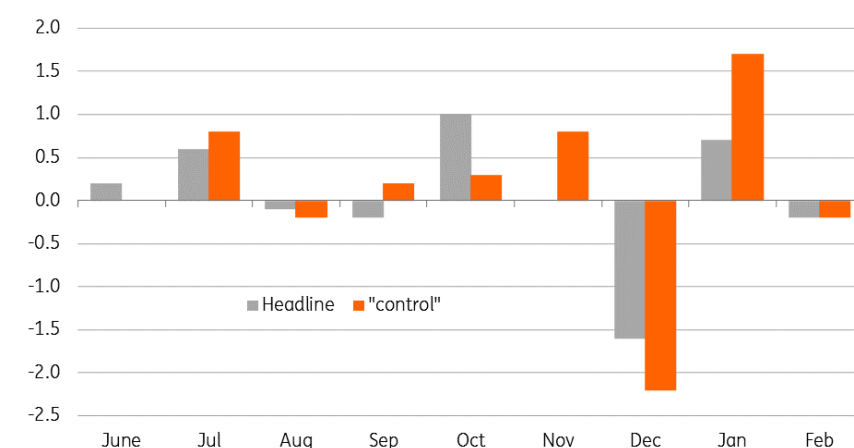
Source: iStockphoto

### Sales fall in February

On the face of it, US retail sales numbers for February, are very disappointing. Headline sales fell 0.2% month on month versus expectations of a 0.2% increase, but there have been upward revisions to the history, most notable for January which is now reported as a 0.7%MoM gain versus the 0.2% figure initially reported.

There are major revisions throughout the report. The 'control', that better reflects the consumer spending patterns within GDP by excluding volatile items such as gasoline station sales, autos and building materials & garden equipment, saw sales fall 0.2% versus expectations of a 0.3% rise. However, January's figure was revised up to +1.7% from +1.1%.

## US 'month on month' retail sales growth (%)



Source: Bloomberg, ING

## Weather and government shutdown issues?

It's possible the fall-out from the government shutdown through late December, and early January continues to influence the data given hundreds of thousands of pay cheques for government workers were delayed. Slow tax refunds, again tied to the government shutdowns, could also be a mitigating factor. It may also be that the poor performance of the stock market through late 2018 weighed on spending, but with the jobs market looking strong and overall pay continuing to rise, we expected to see stronger numbers

The details show building materials and garden supply saw sales fall 4.4%MoM – the steepest decline in nearly seven years. This may well be due in part to colder weather, and we would expect a rebound in March. However, the 1.2% drop in food sales is more difficult to explain. It's the biggest decline in around ten years. Taking this all together we look for a decent bounce back in March.

### Fed remains on hold

This shouldn't have a major influence on the outlook for Federal Reserve policy. Officials continue to highlight their patient stance, and we expect that will continue.

We will be looking to Friday's jobs report as the next major focus. We expect that to show a healthy increase in payrolls of around 160,000 with wage growth ticking up to 3.5%, which should underpin consumer spending. We continue to look for stable Fed monetary policy this year, despite markets pricing in the possibility of interest rate cuts.

## Author

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).