

15 May 2018  
Article

## US retail sales spring back

US retail sales have been heavily distorted over the past six to nine months but we are finally getting some 'cleaner' data that suggests households are in good spirits and are spending in the new season

0.3%

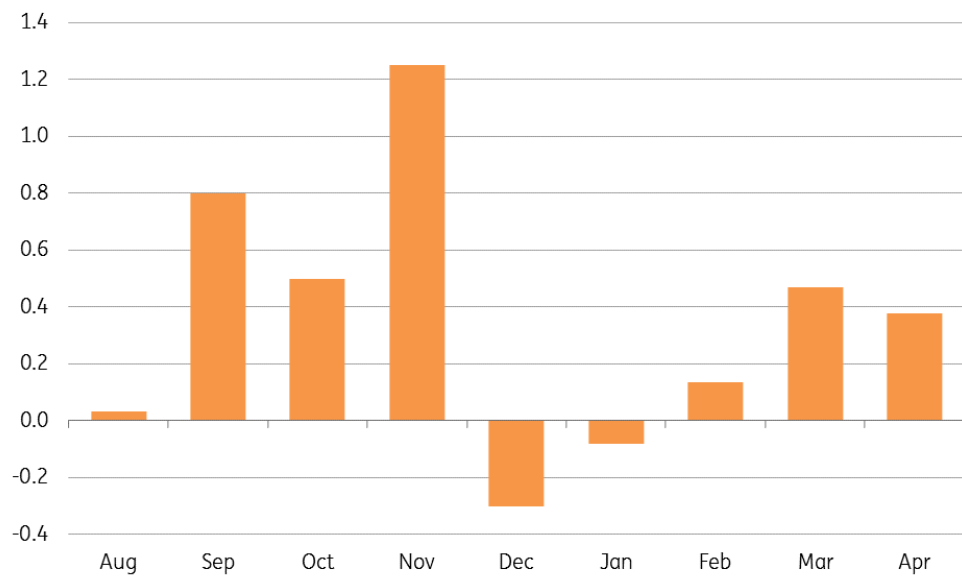
Headline US retail sales growth  
MoM

US retail sales rose 0.3%MoM in April, which was in line with expectations, but there were some nice upward revisions to March's data from 0.6% growth to 0.8% growth. Importantly, the 'control' group, which excludes very volatile items such as food, autos, building materials and gasoline, and supposedly better matches consumer spending within GDP, was up 0.4% after a 0.5% gain in March. February was revised up a tenth of a percentage point too.

Retail sales have been difficult to interpret for much of the past year. In particular, Hurricanes Harvey and Irma caused extensive damage that triggered a wave of spending as households replaced lost items in Sep-Nov 2017. In fact, headline retail sales soared a cumulative 3.5% during the period only to fall back in Dec, Jan and Feb (although Feb has now been revised up to being flat).

Now that these distortions are out of the way we expect forthcoming data to show households continuing to spend strongly. Employment is rising, wages are growing and tax cuts mean there is more cash in people's pockets. With consumer confidence at strong levels, consumer spending growth is a key factor behind our above-consensus 3% GDP growth forecast for the US this year. In turn, this leads us to look for a further three Federal Reserve rate rises in 2018.

### US retail sales turbulent ride (control group MoM% growth)



Source: Bloomberg

#### James Knightley

Chief International Economist

+44 20 7767 6614

[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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.