

## US spending strains intensify

Today's retail sales report shows that nominal spending is flat to slightly higher, but with inflation running hot, real consumer spending is barely treading water. Third-quarter GDP growth expectations need to be trimmed further and with the Fed still hiking interest rates aggressively the 2023 recession fears are undoubtedly intensifying



### Spending growth not keeping pace with price increases

The US September retail sales report is not terrible, but it doesn't exactly instill confidence either. Headline sales came in on the softer side at 0% month-on-month versus expectations of a 0.2% increase, but the "control" group, which strips out some of the volatile series and typically better matches with broader consumer spending trends rose 0.4% MoM (consensus 0.3%) and there were some decent upward revisions. The key point though is that this nominal spending growth is not keeping pace with inflation. It implies that volume numbers are under massive pressure and recession risks are growing well before the full effects of Federal Reserve rate hikes are felt.

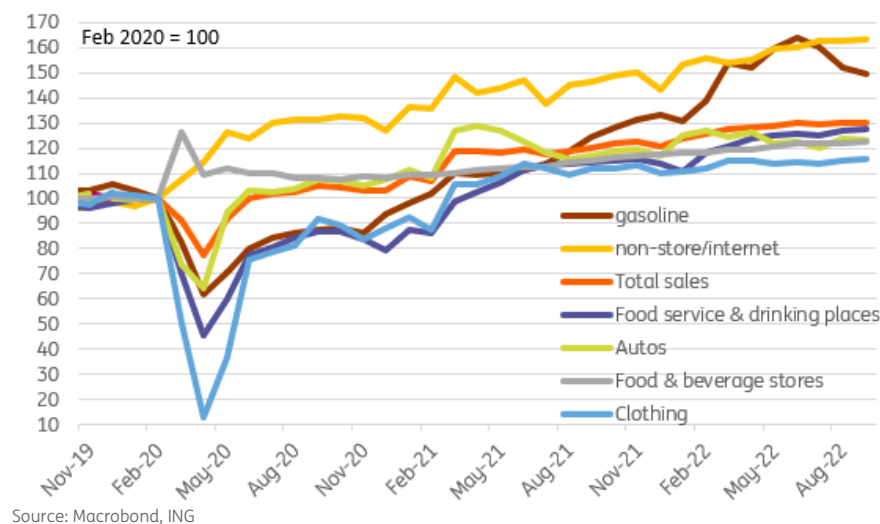
### Mixed outcomes by sectors

Delving into the details, auto sales fell 0.4% MoM despite volumes rising decently. This is a little odd given this would imply price discounting yet yesterday's CPI report noted a 0.74% MoM increase in the price of new vehicles. We therefore have to assume people are downsizing to cheaper, more

economical vehicles.

Miscellaneous stores saw sales fall 2.5%, furniture fell 0.7%, electronics were down 0.8%, gasoline fell 1.4% and sporting goods sales dropped 0.7%. Offsetting this was a 0.5% increase in non-store retail, a 0.5% increase in clothing and health/personal care plus a 0.7% increase in general merchandise.

## Retail sales breakdown



## GDP expectations continue to be trimmed

Nonetheless, remember today's report is all based on nominal dollar growth figures. Yesterday's inflation number showed prices rising 0.4% MoM (and core 0.6%), so sales growth appears even at the "control" group level to be all down to price rises, implying the real (volume) spending growth is effectively zero. Remember that real consumer spending growth was -0.1% MoM in July, +0.1% in August and if we get a zero for September, this works out at real consumer spending growth of just 0.6% annualised.

This would be the weakest reading since the -32% annualised drop in the second quarter of 2020 as the pandemic led to the shutdown of the physical economy and implies more cuts to third quarter GDP expectations. We will be lucky to get 1% growth at this rate. With the Fed still hiking interest rates aggressively officials are right to warn of more economic pain to come.

### Author

**James Knightley**

Chief International Economist

[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 <http://www.ing.com>.