

## Dip in US retail sales unlikely to last

The decline in US retail sales during April was relatively modest given the strong growth seen in March. With wage growth grinding higher, we think the outlook for consumers looks fairly bright, and is a key reason why we aren't expecting a Fed rate cut in the near future



Shoppers in Fairfax, USA

At face value, markets may be left a little disappointed by the latest set of US retail sales numbers. The headline spending figure dipped by 0.2%, masking a fairly noticeable fall in car sales, which was more-or-less offset by greater spending at gasoline stations (pump prices have risen by around 30% off their January lows).

That said, it's worth noting that this latest decline comes after a very strong month for consumer spending in March, and more generally, we think the outlook for retail sales looks reasonably good. While wage growth has levelled off a bit since the start of the year, the tight jobs market and associated skill shortages should continue to keep the pressure on employers to lift pay faster to attract/retain talent. The Federal Reserve's Beige Book has also been highlighting increased usage of so-called 'non-wage benefits' – things like extra vacation, improved healthcare provision, sign-on bonuses etc.

---

*Fed rate cuts are not currently on the horizon*

---

There are a couple of headwinds to spending though. The sudden rise in fuel prices will hit real wages to some degree, while the lingering threat of tariffs on the remainder of Chinese imports could also weigh on spending if they come to pass.

For the time being though, we think the positives will continue to outweigh the negatives for consumption. This, combined with some better investment activity (particularly from the residential side), suggests that growth should continue to perform solidly over the next few quarters.

We are expecting 2.5% overall growth in 2019, which when combined with our forecast for a gradual rise in core inflation, suggests that Fed rate cuts are not currently on the horizon.

## Author

### James Smith

Developed Markets Economist, UK

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