

## Gasoline price surge hits broader US spending

The gasoline price surge has hit consumer sentiment hard as households worry about what it means for their finances. Strip out gasoline, and retail sales fell 0.3%MoM in March. On the positive side, there are signs of resilience within the data and in any case, spending was unlikely to keep pace with January's post-Omicron surge



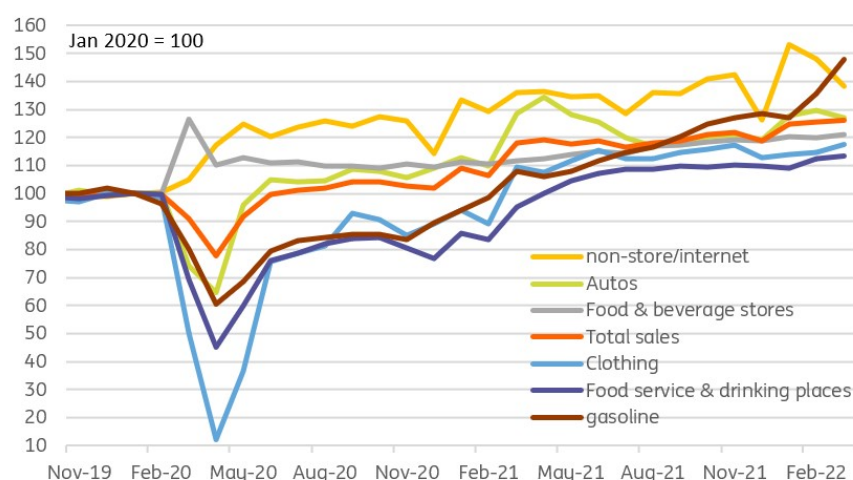
Gasoline prices have risen sharply in the States

### Gasoline price jump lifts overall spending

US March retail sales are OK. Headline sales grew 0.5%MoM versus 0.6% consensus, but there was a substantial 0.5pp upward revision for February to 0.8%MoM from 0.3%. Gasoline didn't impact the numbers as much as we thought likely, with sales from gas stations up "only" 8.9%, despite the huge jump in price from \$3.50/gallon in February to a peak of \$4.33 on March 10. Nonetheless it is still the biggest growth contributor with gasoline station sales accounting for 9.6% of all retail spending in March.

## Retail sales by component

February 2020 = 100



Source: Macrobond, ING

## Weaker internet and car sales dragged down spending elsewhere

The details show electronic sales rose 3.3%, food was up 1%, clothing up 2.6% and general merchandise up 5.4%. On the negative side, car sales were down 1.9%, with the major weakness being in non-store retailers (internet only) which saw sales fall 6.4%. However, as the chart above shows, sales are still up 40% on pre-pandemic levels.

The "control" group, which excludes volatile components such as auto dealers, food service, building materials and gasoline, and has a stronger correlation with overall consumer spending patterns, fell 0.1% month-on-month versus expectations of a 0.1% gain. However, there were upward revisions that mean on a 3M annualised basis sales were up 13% and this underscores the point that consumer spending has bounced back strongly following the Omicron wave.

## Signs of resilience off some positives

Given the data revisions, this report is not a bad outcome and shows the consumer remains resilient despite feeling the squeeze from higher inflation which has been dragging down consumer sentiment. While incomes aren't rising as rapidly as inflation at the moment, they are still on the up with a tight labour market set to continue supporting higher wages. At the same time, household wealth has increased by \$35tn since the end of 2019, which should provide a strong underpinning for spending. Gasoline prices have also dropped back, and this too might, at the margin, help relieve some pressure on households.

## 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).