

US: A consumer conundrum

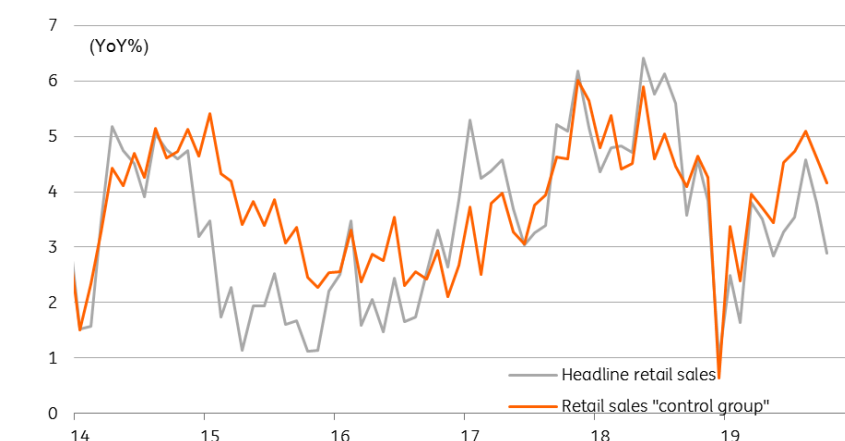
The strong jobs market and rising wages offer support to spending, but the latest retail sales numbers suggest growth is slowing



Shoppers at a technology store in Houston

US retail sales grew 0.3% month-on-month in October, a tenth of a percentage point better than expected – although when you look to two decimal places that was by the narrowest of margins (0.26% MoM). Moreover, the headline only tells part of the story. The year-on-year rate has slowed again to the slowest rate since February while the details show that the strongest component was gasoline station sales, which rose 1.1% MoM on higher fuel prices, while auto sales rose 0.5%. Strip these two components out and retail sales were only up 0.1% after falling 0.1% last month.

Retail sales peaking out?



Source: Macrobond, ING

In fact, seven of the thirteen components experienced declines, which offers further evidence of a broader softening in activity. Clothing was particularly weak, falling 1%, while furniture sales were down 0.9%, sporting goods fell 0.8% and miscellaneous was down 0.6%. The “core” control group, which strips out some of the volatile components and has a better match with underlying consumer spending growth did rise 0.3% as expected, but September’s figure was revised down to -0.1% from 0%, so on balance we have to say it is a mildly disappointing outcome.

Overall the report is consistent with other US figures in that it suggests growth is slowing, but it certainly isn’t collapsing. The Federal Reserve is happy to wait and see the effects of the three rate cuts enacted in July, September and October, and today’s numbers suggest there is no pressing reason to act again in the near future. Spending should continue to be supported by high employment and rising wages, but the key question is whether it will be strong enough to offset weakness in business investment and net trade? We are somewhat nervous given the ongoing global weakness and a sense that the phase one trade deal may not be as broad as initially hoped. As such we continue to have a bias towards expecting more “insurance” policy easing from the Federal Reserve being implemented in early 2020.

Author

James Knightley

Chief International Economist, US

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.