

# US consumers remain resilient despite Fed dovishness

US retail sales performed much better than expected in November, suggesting households remain happy to spend despite intensifying financial pressures. The labour market also remains tight, so there is little prospect of an imminent rate cut despite the Fed's dovish shift yesterday



It seems consumers are still happy to spend, despite increasing challenges being posed by flat real household disposable income, high borrowing costs, student loan repayments and the exhaustion of savings

## Retail sales beats expectations

So, the Federal Reserve turns dovish, yet activity numbers continue to look good. Retail sales rose 0.3% month-on-month in November versus expectations of a 0.1% fall. The market expected that the combination of falling gasoline prices depressing nominal gas station sales and falling vehicle sales and new vehicle prices depressing auto sales would dominate in the report. We did indeed get a 2.9% MoM drop in gasoline station sales – yet somehow auto and parts sales managed to rise 0.5% MoM.

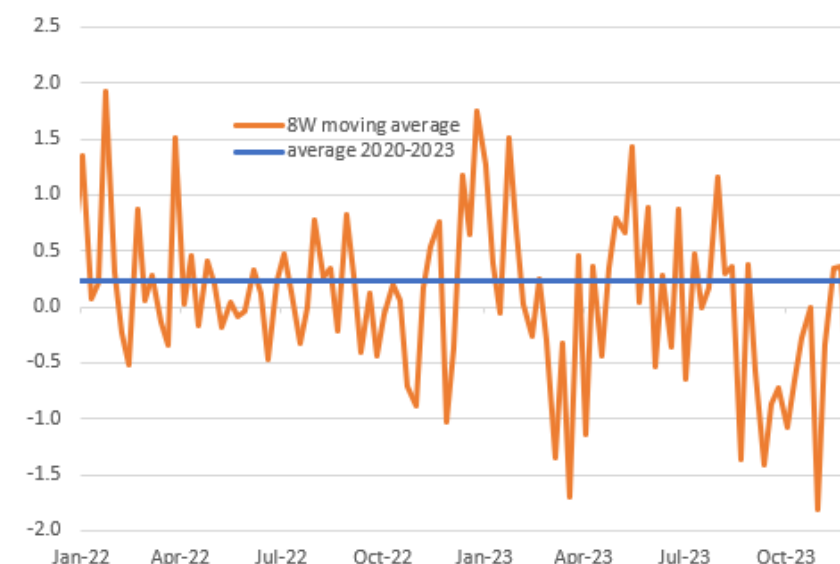
It was a mixed performance in the other components, with furniture (+0.9% MoM), health/personal care (+0.9%), clothing (+0.6%), sporting goods (+1.3%), eating and drinking out (+1.6%) and non-store retailers (+1%) performing well. It was a tougher month for electronics (-1.1%), department stores (-2.5%) and miscellaneous stores (-2%). This means that the control group – which strips out

volatile components such as autos, gasoline, eating out and building materials – reported a 0.4% MoM increase versus the 0.2% expectation. However, there were some downward revisions to the history, so in dollar value terms, we are broadly in line with expectations.

## But challenges are mounting for the household sector

Nonetheless, it seems consumers are still happy to spend, despite the increasing challenges being posed by flat real household disposable income, high borrowing costs, student loan repayments and the exhaustion of savings. Consequently, an imminent rate cut from the Federal Reserve looks unlikely, and we still think the first move is more likely to materialise in the second quarter rather than the first. That said, there continue to be inconsistencies with the credit card transaction data published by the BEA, which as the chart below shows, indicates retail activity being much weaker than reported in today's retail sales report– unless we are all spending with cash!

## WoW% change in credit card spending less robust than retail sales



Source: Macrobond, ING

Meanwhile, initial jobless claims dropped to 202k from 221k (220k expected) and initial claims rose to 1876k from 1856k (1879k expected). This report suggests no real deterioration in the jobs market yet, so no need for action from the Federal Reserve just yet.

## 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>.