

## US retail - back on top

US monthly retail sales have more than fully recovered from the crisis with the value of spending above that of February. However, maintaining those levels may be more challenging as fiscal support wanes and structural adjustments start emerging



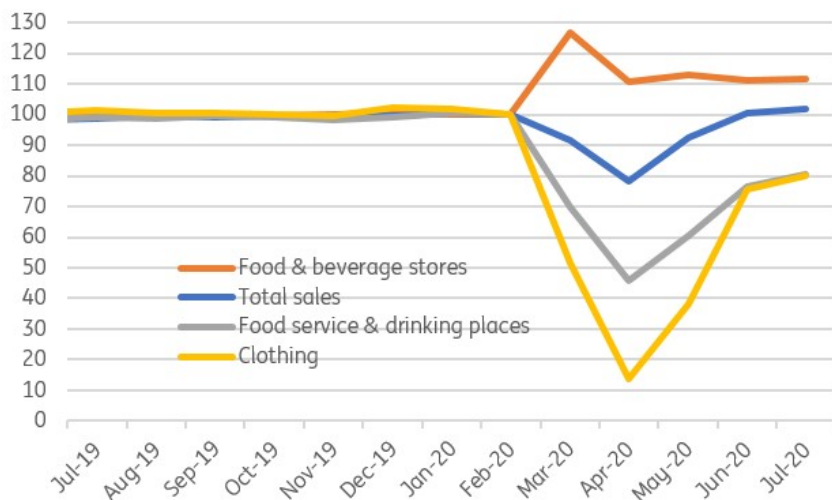
Shoppers in Fairfax, USA

### Retail fully rebounds

Headline retail sales for July rose 1.2% month-on-month versus the 2.1% consensus expectation, but the June figure was revised up to 8.4% MoM growth from 7.5% so in US dollar spending terms it is broadly in line. In fact the dollar value of spending is now 1.6% above the pre-crisis level of February.

The "control group" which excludes some of the more volatile components like gasoline, building materials and autos (and has a better match with broader consumer spending trends) was actually better than hoped, rising 1.4% (cons 0.8%) with the June figure revised up four-tenths of a percent. The details show electronics continue to do well, rising another 22.9%, but it is clear from all the categories that the pent-up demand effect that boosted activity as we emerged from our homes is now waning.

## Level of US retail sales - February 2020 =100



Source: Macrobond, ING

## Phase 2 challenges emerge

We are more nervous about the second phase of the recovery. Consumer confidence fell back in July and likely stayed low in early August as the rising number of Covid-19 cases and renewed containment measures heightened both health concerns and worries about the economy. Employment growth appears to have stalled since July based on high frequency data from Homebase, a payroll tracking company, while the lack of progress on a new fiscal package and the scaling back of unemployment benefits is squeezing incomes for 30 million or so recipients.

These factors appear to be contributing to a stalling in credit and debit card transactions since the beginning of July - down just over 2% based on evidence from [www.tracktherecovery.org](http://www.tracktherecovery.org). Consequently, we see the risk of a drop in the August retail sales report that will be published on 16 September. This would add to evidence seen in other data of a plateauing in the recovery after a vigorous rebound through May, June and early July.

## Credit and debit card transaction ([www.tracktherecovery.org](http://www.tracktherecovery.org))

In the United States, as of August 02, 2020, total spending by all consumers decreased by 8% compared to January 2020.



Source: [www.tracktherecovery.org](http://www.tracktherecovery.org)

## More help is needed

As such calls for further fiscal and monetary policy support are likely to grow. Last week's Presidential Executive Orders will provide some help, but more assistance for business and consumers will likely be required to ensure the positive economic momentum continues. Upward moves in Treasuries also needs to be watched carefully in case it translates into higher borrowing costs and we wouldn't be surprised to see the Federal Reserve stepping up its asset purchases in coming months.

### 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).