

US: Retail bounce starts to slow

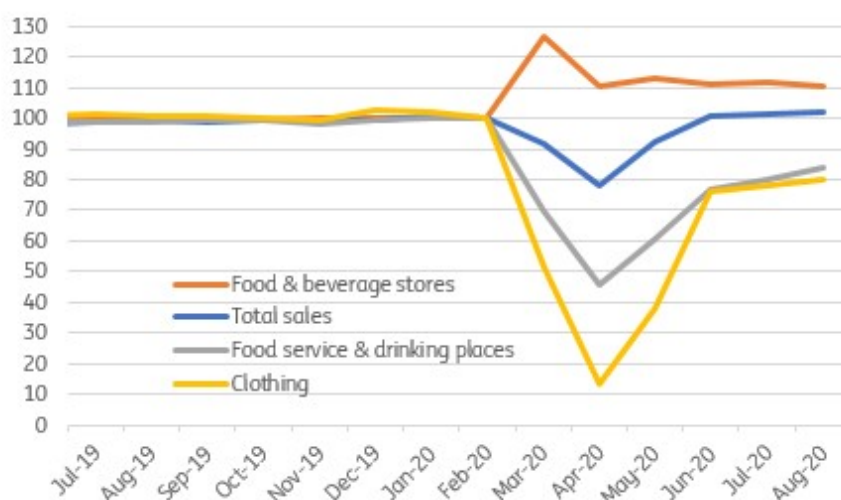
Retail sales missed expectations in August and there were downside revisions to July. With other large categories of spending continuing to struggle it re-affirms our view of a plateauing in consumer activity below pre-Covid levels



US retail sales grew 0.6% month-on-month in August, lower than the 1% consensus expectation while July's growth rate was revised down to 0.9% from 1.2%. The 'control' group, which excludes volatile components such as building supplies, gas stations, food service and auto dealers, is a measure that historically better tracks broader consumer spending. Unfortunately, it missed by even more, falling 0.1% versus expectations of a 0.3% MoM gain while July saw sales revised half a percentage point lower.

The details show the weakness concentrated in sporting goods (-5.7%), general merchandise (-0.4%) and grocery (-1.2%). However, this latter drop was offset by a 4.7% increase in eating and drinking out. There were also strong gains for furniture (+2.1%) and clothing (+2.9%), suggesting aggressive price discounting worked.

Levels of retail sales expenditure versus February



Source: Macrobond, ING

This leaves the total value of retail sales 1.9% above where they were pre-Covid, which is a fantastic outcome, but there have clearly been winners and losers as we have all been forced to adjust the way we can spend our money. Grocery remains the main beneficiary with sales more than 10% higher, while food service is down 16% and clothing is still 20% lower.

Moreover, the broader consumer spending picture is bleaker. Remember retail sales only make up around half of consumer spending with education, healthcare, travel and hotel stays also contributing to the total – areas that have been hit far harder by the pandemic. While we have been able to substitute some of our spending towards “things” (measured in retail sales) and away from “experiences”, it doesn't fully make up the shortfall. High frequency data from www.tracktherecovery.org suggests that based on credit and debit card transactions total consumer spending remained down 7% as at the end of August.

Broader consumer spending continues to struggle

In the United States, as of August 30 2020, total spending by all consumers decreased by **7.3%** compared to January 2020.

DOWNLOAD CHART



The consumer has performed well so far given the health and economic impact from Covid, but there is still a long way to go in the recovery story. Given Covid is still not beaten we remain cautious on the growth outlook. Moreover, there is still huge unemployment, there is little prospect of meaningful fiscal stimulus in the next few months and there is the clear threat that a fractious election could hurt sentiment and spending.

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.