

## US: Retail feels the squeeze

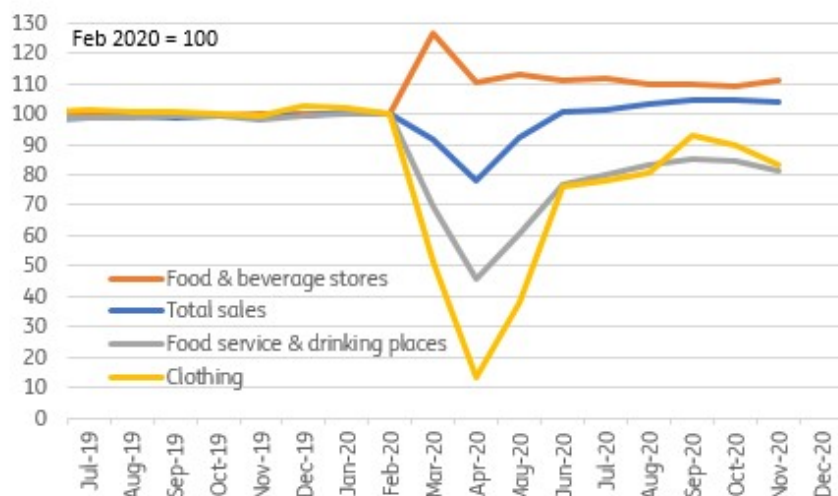
The spike in Covid-19 cases is hurting sentiment while also prompting more and more movement restrictions that are coming with a high economic cost. Two consecutive monthly retail sales declines could easily turn into three, which underlines the case for more fiscal support for the economy



Shoppers at a technology store in Houston

US retail sales fell 1.1% month-on-month in December versus the -0.3% consensus forecast with weakness, unfortunately, seen throughout the report. In fact, it is easier to give you the ones that rose – just 3 components – building materials +1.1%, food & beverage +1.6% and non-store +0.2%. It is a very disappointing outcome and as we head to a December and January period that is likely to struggle even more as Covid containment measures kick in, this puts more pressure on Washington to agree on a fiscal support package.

## Retail sales levels



Source: Macrobond, ING

The big falls were in electronics (-3.5%), clothing (-6.8%), department stores (-7.7%) and eating/drinking out (-4%). Moreover, there were downward revisions to October's data with the headline retail sales figure moving from a 0.3% MoM growth rate to a 0.1% contraction.

Significantly, the “control” group, which excludes volatile food, gasoline and building materials and better maps onto consumer spending within the GDP report fell 0.1% in October and 0.5% in November. We could certainly see a decline in December as well, which suggests that the current 4Q20 GDP consensus forecast of 4.5% annualized growth is looking a little optimistic. We wouldn't be surprised to see something closer to 2% with a potential negative reading for 1Q21 despite the vaccination program that is now underway.

## Key retail sales component divergences



Source: Macrobond, ING

With an increasing number of city mayors and state governors warning of more movement restrictions to combat the rise in Covid-19 cases, the economy is facing a period of growing uncertainty. With more restaurants being forced to close and the threat of closure of non-essential

retail in some areas the need for more support for the economy is growing. Hopefully we will get a fiscal package agreed to mitigate some of these headwinds, but it won't be able to fully offset weaker consumer spending or the threat of rising joblessness.

## 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 <http://www.ing.com>.