

# US: Retail rebound boosts hopes of a V-shaped recovery

Retail sales rebounded in May as the re-opening process got underway across the United States and incomes were supported by extended unemployment benefits. However, questions hang over how long the benefits will last, millions of Americans remain out of work and ongoing social distancing means we remain a long way from 'normality'



A masked shopper in New York

17.7%

Increase in May US retail sales

Month-on-month

Better than expected

Retail sales bounced back far more vigorously than expected in May, surging 17.7% versus the consensus forecast of an 8.4% gain, while the plunge in April was revised to be a little more

moderate than initially reported (-14.7% versus -16.4%). This means that the seasonally adjusted dollar level of US retail sales is back roughly to what we saw in March, which in turn is around 8% below January's level. This is much stronger than the weekly Redbook chain stores sales figures had hinted at, with today's report clearly boosting hopes of a more V-shaped recovery.

## Retail sales MoM change

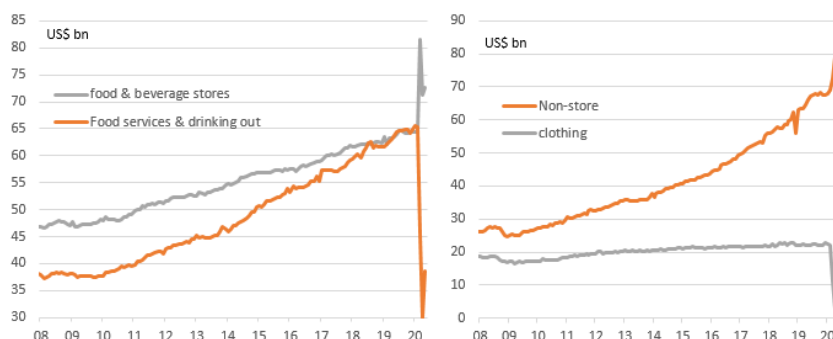


Source: Macrobond, ING

The details show a very strong increase for motor vehicles (+44%), furniture (+90%), sporting goods (+88%), electronics (+50%) and clothing (+188%), all helped presumably by some pretty decent price discounting.

Retail sales have on average accounted for 42% of total consumer spending over the past ten years – housing, healthcare and financial services are the other big chunks. In turn, consumer spending is around 70% of total GDP, implying that retail sales account for just under a third of GDP so the scale of today's rebound is hugely important and will inevitably lead to upward revisions to 2Q GDP.

## \$ value of retail sales for key components



Source: Macrobond, ING

It is clear that huge fiscal and monetary support, including the extra \$600 per week in

unemployment benefit, has given households the income and the confidence to spend. However, this \$600 extra payment ends in July and we must remember that employment is still 20 million down on where it was at the beginning of the year.

As such the outlook for the coming months remains uncertain and is going to be determined by how quickly the re-opening gathers momentum and how many of the laid-off workers return to their previous jobs.

A renewed spike in Covid-19 cases in some states is leading to fears that we could see a pause in some of the re-opening processes and even the potential return to lockdowns. This will obviously be severely damaging to recovery hopes. In any case, there will be ongoing social distancing constraints and consumer caution until there is a vaccine. Given this situation, we shouldn't extrapolate from today's report that we are imminently heading back to "normality".

## 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>.