

## US retail sales - a tale of two numbers

US September retail sales were soft, which may be a reflection of hurricane effects. However, a solid “core” figure still bodes well for very strong GDP growth



Source: iStockphoto

US retail sales were much softer than hoped at the headline level, rising just 0.1% month on month versus the 0.6% consensus figure reported by Bloomberg.

At first glance, it appears that Hurricane Florence has distorted the numbers to some extent with sales at restaurants and bars dropping 1.8%MoM – the biggest fall for two years. Gasoline stations sales and building materials were down too, but most other components posted decent gains with auto sales up 0.8%, furniture up 1.1%, clothing up 0.5%, electronics up 0.9% and sporting goods up 0.7%.

More significantly though, the “core” retail control group, which excludes volatile components such as food services, auto dealers, building materials and gasoline, rose a very healthy 0.5%MoM, which was actually above expectations. This series is better aligned to the consumer spending numbers calculated as part of the GDP report and supports our view that the US economy likely expanded close to 4% annualised in 3Q18 after growing at an annualised 4.2% rate in 2Q18. This will be more than enough to keep the Federal Reserve in interest rate hike mode.

Further distortions are possible in the next release due to Hurricane Michael, but in general, the rebuild/clean-up operation tends to lead to a bounce in retail sales over subsequent months. In any case, the outlook for retail sales remains encouraging with the strong jobs market and this year's tax cuts giving households plenty of cash to spend. With businesses struggling to recruit workers we look for wage growth to strengthen too, which should provide an additional tailwind over coming quarters.

That's not to say all retailers will benefit from the news of Sear's bankruptcy again highlighting the problems faced by companies that failed to adjust rapidly enough to the dramatic shift to online retailing.

This situation will not reverse and raises additional questions about what is going to happen to the vacant properties left behind.

## 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>.