

## US retail sales plunge despite solid consumer backdrop

There's no doubt about it, December's US retail sales figures are off-the-charts bad. But there are a few reasons to treat these numbers with caution, as we think the strong jobs market should support a rebound over coming months



Source: iStockphoto

There's little doubt the December US retail sales report is grim. While the figures were always going to be dragged lower by a fall in the oil price, the broad-based nature of December's decline in sales will add to fears the US economy is entering a softer phase. The control group, which excludes a variety of volatile items, fell by 1.7% on the month, the scale of which has only been matched once before (in the aftermath of the September 2001 attacks).

**1.7%** Fall in the retail sales control group  
(MoM%)

Worse than expected

That said, there are a couple of reasons to treat these numbers with a bit of caution. Firstly, the numbers don't tally with some other retail indicators, some of which painted a much more reassuring picture of the Christmas trading period. For instance, data from Mastercard pointed to a 5.1% increase in sales during November and December relative to the year before, while also noting shoppers picked up the pace in the run-up to Christmas.

---

*We'll have to wait and see for the next few reports to see if this data was a blip, but either way, the outlook for consumers still looks decent*

---

It's worth noting that the sharp fall in December sales comes after a pretty decent increase in November. This is most likely thanks to the impact of Black Friday and Cyber Monday, which make it tricky for statisticians to seasonally adjust given the constantly evolving nature of sales strategies over the past few years.

We'll have to wait and see for the next few reports to see if this data was a blip, but either way, the outlook for consumers still looks decent. The jobs market remains in very healthy shape, and wage growth continues to rise as businesses find it harder and harder to fill vacancies. At the same time, the recent plunge in gasoline prices will put extra cash in the pockets of consumers, helping to offset the waning impact of last year's fiscal stimulus.

Admittedly, the overall growth picture for the first quarter looks fairly mixed. The impact of trade uncertainty, the government shutdown, the recent polar vortex as well as financial market wobbles could pull annualised 1Q growth below 2%.

That will likely see the Fed remain on pause this quarter, but we still feel the combination of a solid economic backdrop, perhaps coupled with a gradual easing in trade tensions later this year, will see policymakers deliver one further rate hike in 2019.

## Author

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@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).