

## US retail sales raise concerns for growth

Disappointing retail sales suggest consumer spending will be slower than before



Source: iStockphoto

Disappointing retail sales growth suggests 3Q consumer spending growth will slow markedly from 2Q's 3.3% rate. However, we still think other components can provide offsetting support within the GDP report.

Retail sales numbers from the US are pretty disappointing. In August they fell 0.2% month on month versus expectations of a 0.1% rise while July's growth rate was revised down from +0.6% to +0.3%MoM. The "control group", which excludes volatile items like gasoline stations sales, food, auto and building material sales fell 0.2%MoM versus predictions of a 0.2% gain.

This is significant because it feeds into the consumer spending numbers for GDP and marks quite a slowdown from the 3.3% annualised pace of growth seen in 2Q.

Nonetheless, with employment and confidence at high levels and wages showing some tentative signs of improvement, we remain broadly upbeat on the prospects for spending.

With business surveys suggesting ongoing healthy growth and inventories set to provide a boost we still think US GDP could come in close to 3% for 3Q after recording 3% annualised

growth in 2Q17.

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