

## US retail spending underwhelms again

US retail sales grew less than hoped in November. This again brings in to question whether consumer spending will remain strong enough to offset the recession in manufacturing and prevent the need for further Fed rate cuts



0.2%  
MoM

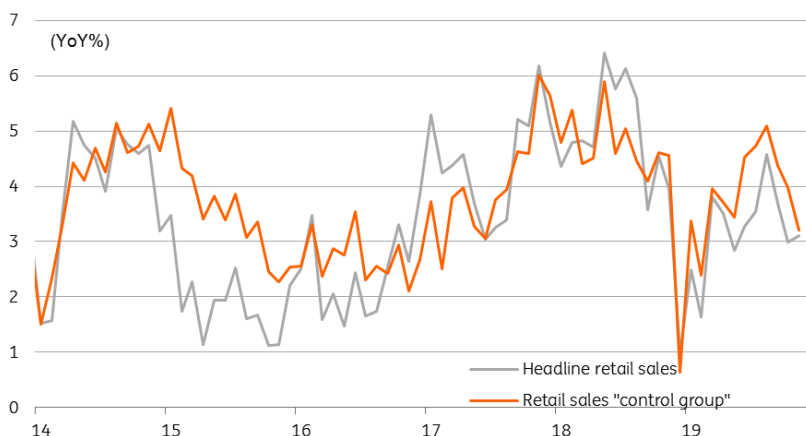
November's retail sales growth  
versus 0.5% consensus  
expectations

Headline retail sales rose 0.2% month-on-month in November, well short of the 0.5% gain expected by economists, although we did see October's growth rate revised up by one-tenth of a percentage point to 0.4%. The details show that 8 of 13 categories experienced growth, most notably in electronics and gasoline (both +0.7%) while non-store retail saw sales rise 0.8% and motor vehicles/parts rose 0.5%. Offsetting this were sizeable declines in healthcare (-1.1%),

clothing (-0.6%) and sporting good (-0.5%).

Looking at the so-called “core” measure – the retail sale control group, which excludes volatile items such as autos, building materials, food and gasoline and has a better correlation with broader consumer spending growth – we see another weak outcome. Sales here rose just 0.1%MoM. Moreover, strip out just cars and gasoline and retail sales were unchanged on the month after rising 0.2% last month.

## US retail sales growth (YoY%)



Source: Macrobond, ING

The chart above shows a loss of momentum in retail sales growth over recent months with year-on-year growth having apparently peaked. It is possible that the recent jobs surge supports consumer spending into year-end, but when we already know the manufacturing sector is in recession, today’s outcome suggests a 4Q GDP growth rate that will come in closer to 1.5% than the 2.1% rate experienced in 3Q19.

We see the loss of economic momentum continuing into 2020 despite the market optimism on the latest jobs numbers and the heightened expectation of some form of trade deal. Global growth remains weak, the dollar is strong and trade tensions are likely to linger irrespective of whether a phase 1 “deal” is announced. Our GDP forecast for 2020 remains 1.4% versus the 1.8% consensus and given this backdrop we continue to see a greater chance of additional Fed rates cuts (2 in 1H20) than currently priced by markets.

### Author

**James Knightley**

Chief International Economist, US

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

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