

US: the first wave

The preliminary March reading of University of Michigan confidence gives us the first consumer response to the coronavirus crisis. It was a hefty fall, but not as bad as feared. More big declines are likely in the wake of the equity market plunge and the disruption to daily lives



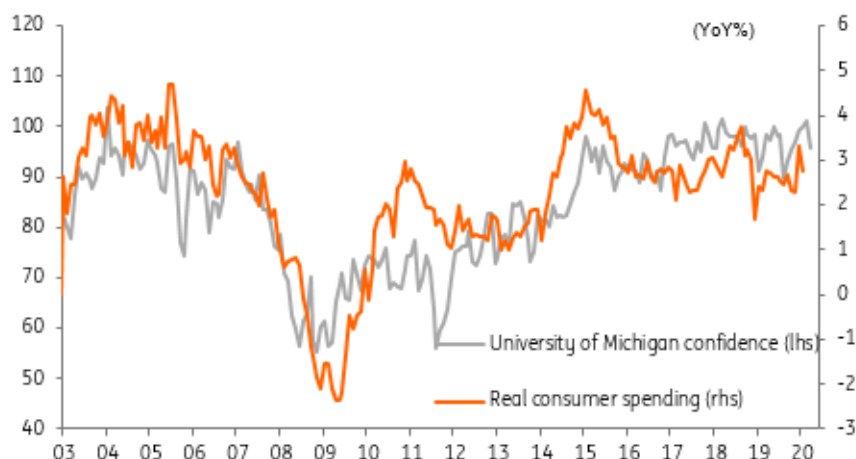
Confidence takes a hit

The March preliminary reading of consumer confidence fell to 95.9 from 101.0, which was understandable given the deteriorating newsflow relating to Covid-19 and the falls seen in equities. Nonetheless, it wasn't as bad as feared - the consensus was 95.0. Further falls are likely for the final reading though given the roller coaster ride in equities and concern over the uncertain government response while the huge disruption containment measures imposed by employers are starting to cause to daily lives. The cancellation of all sporting events and the long queues at grocery stores - I spent 90 minutes in Wholefoods in midtown Manhattan from 7:15am this morning just picking up a basket full of goods - is not going to bring any cheer.

The read through to consumer spending is difficult to determine at this stage, but any strength in the grocery sector is going to be more than offset by weakness in travel/accommodation/leisure etc. We continue to look for a sharp downturn in consumer spending through 2Q20 - possibly on the order of a 3% annualised decline. This will put immense strain on the corporate sector and as such we expect the Fed to "go big" next week with a strong probability they cut rates down to

zero and formally restart QE.

Confidence and spending



Source: Macrobond, ING

Author

James Knightley

Chief International Economist, US

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>.