The Consumer's Return to Trend

July retail spending was weak, having declined -0.6% MoM for headline retail sales, and -0.4% for the retail control component, which is a direct input into the GDP data. Consequently, ***our tracking estimate for Q3 real PCE has declined to +2.2%*** (from +2.5%). This follows a robust 3.1% growth figure for Q2 personal consumption, so ***trend reversion is to be expected this quarter***. ***We remain optimistic on the Q3 GDP and consumer outlook***, forecasting a bounce back in August and September spending figures.

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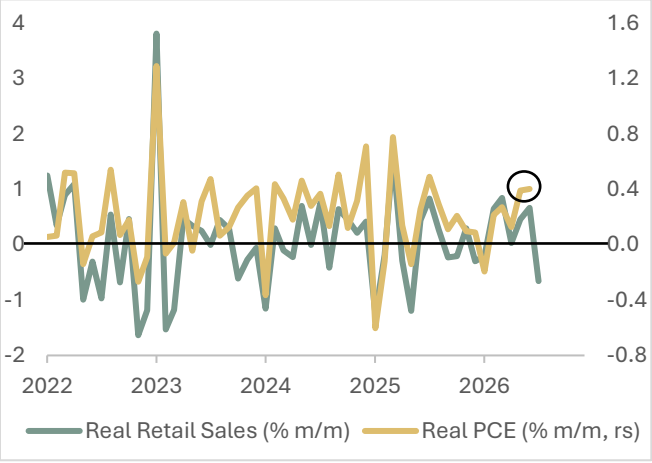
Real Retail Sales vs Real Personal Consumption…



Source: Census, BLS, BEA, Haver, SMBC Nikko

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