

# Consumer spending: The headlines and reality

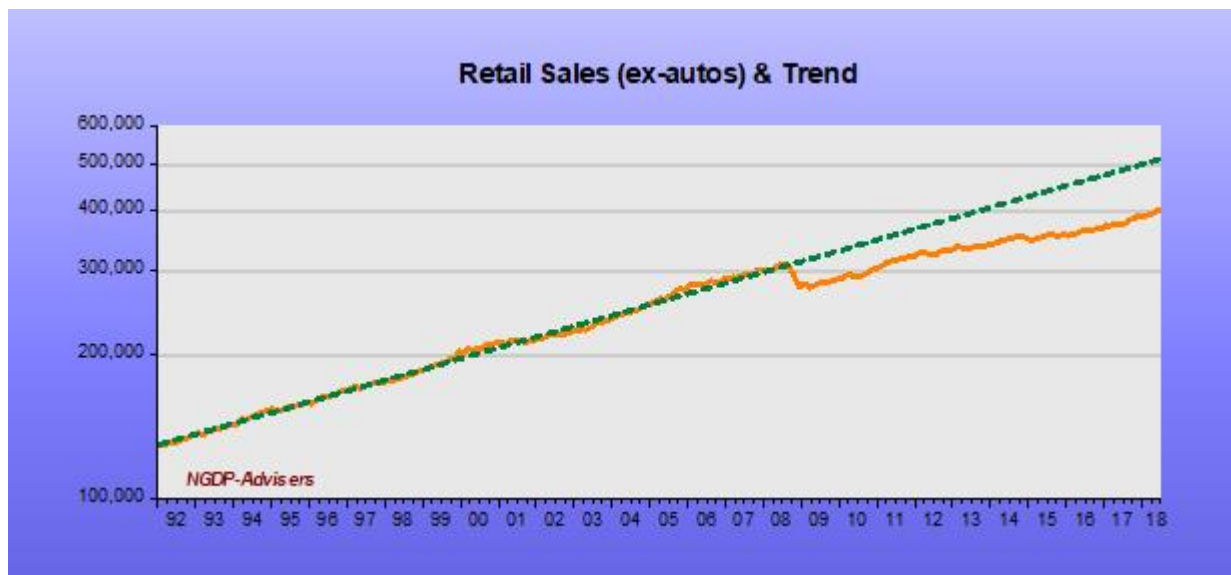
The headlines:

1 Consumer spending is bustling and likely propelled strong overall economic growth in the recently completed second quarter.

2 U.S. retail sales rose solidly in June as households boosted purchases of automobiles and a range of other goods, cementing expectations for robust economic growth in the second quarter.

Reality:

Retail sales remain depressed.



Even ignoring the original trend path, the next chart illustrates, considering only the post-recession period, that between late 2014 and mid-2017, retail sales faltered, dropping below the new and lower trend path. The recent “bustling” is the result of sales climbing back to the lower trend path.

Retail Sales (ex-auto) & Trends - 2011 - 2018



If the economy is strengthening, why is the 10-yr - 2yr yield spread dropping fast?

Yield Spread (10yr - 2yr)

