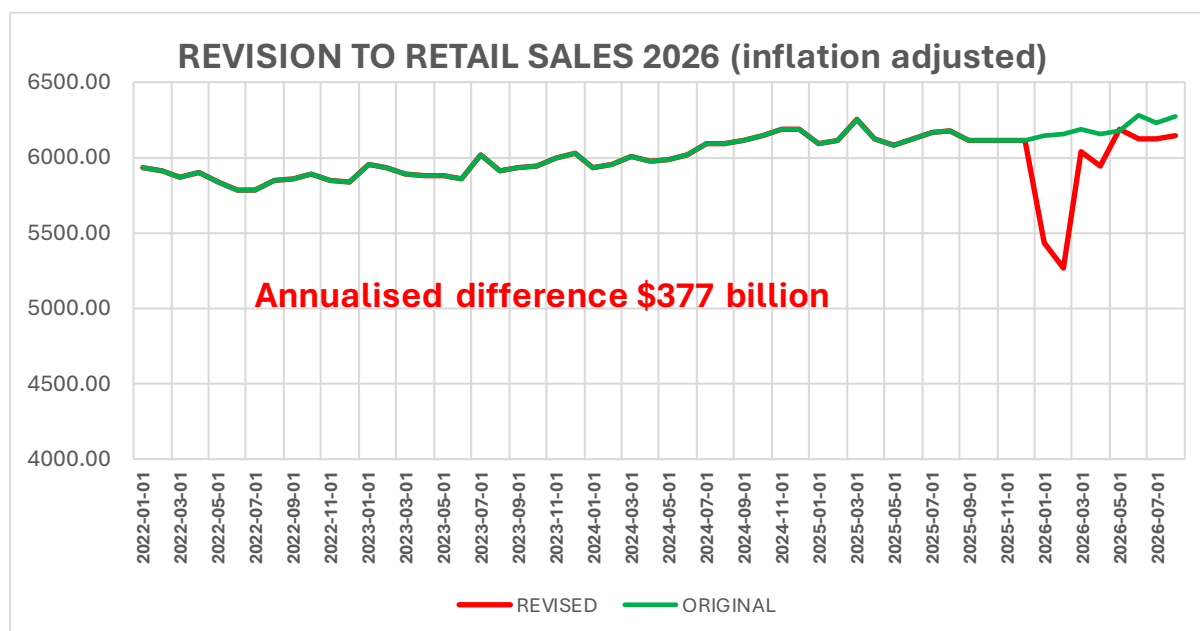


NOT SUCH A RESILLIENT ECONOMY AFTER ALL.

The [Census Bureau](#) in the United States has just revised retail sales down by 2.7% enough to shave 0.2% off GDP though the knock-on effect is much larger. I have shown the effect of this downward revision in the graph below. What it reveals is that in real terms, retail sales, despite being hoisted up by the top 10% of income earners spending their capital gains, has not grown in years. And this in an economy driven mainly by personal consumption.



What this trend establishes, is not that the top 10% are not spending, but that the spending by the bottom 80% of income earners is even weaker than assumed earlier. That \$377 billion figure is more than what is spent on [clothing and accessories](#), is bigger than health and personal care, and is equal to what is spent on buildings and gardens.

This downward revision is not exceptional but the norm. Whether its employment, housing etc all the annual revisions have been downwards. No doubt in time the biggest backward looking annual revisions will be to AI investment. Not that this matters, Wall Street is driven by headlines not revisions.

In conclusion, the US economy is much weaker than the official headlines portray. Retail sales are the best barometer for what is taking place in the economy on the consumption side. As a share of Gross Output (GO) it represents 17% of output compared to 6.2% when reduced to GVA comparisons. Thus, the revision's total knock-on effect when measured by total sales is to reduce sales by 0.6% rather than by 0.2% when measured only against final sales.

