The American Consumer Keeps Beating Expectations

Perhaps the biggest question facing investors right now is whether consumer spending will follow the deteriorating trend in the industrial economy that has spread from China to Germany and the U.S. in recent quarters. For now, the pessimism of stock analysts clashes with the willingness of American consumers to keep boosting corporate profits. The current economic malaise, while similar in origin to the slowdown that happened in 2015-16, is playing out quite differently. Then, as now, structural problems in China wreaked havoc among manufacturers. In fact, heavy industry has actually suffered more this time around because of the disruption caused by the U.S.-China tariff spat and tougher emissions regulations in the car industry. The German economy in particular has proven vulnerable. What is different now is that three years of rising employment and pay seem to have imbued household budgets with a higher degree of resilience. Last week, government statisticians revised down their reading of U.S. economic growth for the second quarter to 2%, due to the impact of weaker-than-expected exports and inventory investment, but recorded a strong pickup in company earnings and consumer spending—now upgraded to its strongest reading since 2014. Official figures ...

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