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Flash Macro Update (04/01/2019)

February retail sales data was out today, and the data was significantly lower than expectations. It is worth noting that there were upward revisions in the January data, which compensates the lower than expected retail sales in February. However, we think that the data is weak and should raise question marks about why retail sales remained weak despite historically low level of unemployment and rising wages.

According to the data, retail sales declined by 0.2% m-o-m in February 2019 compared to the consensus of +0.3%. We need to highlight that January retail sales were revised up from +0.2% m-o-m to +0.7% m-o-m. In addition, core retail sales that exclude autos posted a 0.4% m-o-m decline against the consensus forecast of +0.4% in February. But again, core retail sales were revised up from +0.9% m-o-m to +1.4% m-o-m in January. Overall, February data looks weak but combined with upward revisions for January we could say that there was no collapse.

When we look at the details of the data, we observe that motor vehicles, auto parts, gasoline, health care and online retail sales did post m-o-m increases in February, whereas all other sub-components including furniture, electronics, department stores and food registered m-o-m declines.

Overall, recent data releases signal that consumers and companies started to become more cautious when it comes to spending. Uncertainties regarding global economy and ongoing trade talks could be the main culprits behind this cautious approach. A global slowdown is absolutely in the cards but talking about a recession in the US could still be early, in our view.

Later today, PMI data will be released in the US. China PMI surprised on the upside, whereas European PMIs including Germany slightly disappointed today.

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