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Flash Macro Update (06/14/2019)

May retail sales data was out today, and the data was more or less in line with expectations. Please note that previous retail sales data was lower than expectations raising question marks about the state of economic activity & consumption. Upward revisions in previous month and a retail sales print, which was in the positive territory and which was in line with expectations in May, should hint that the FED will not take any rate action next week at its FOMC meeting. Probably, there will be references to slower growth in the second quarter and inflation remaining around 2%, but a rate cut might not be imminent, in our view.

According to the data, retail sales rose by 0.5% m-o-m in May 2019 compared to the consensus of +0.6%. But April retail sales reading was revised up from -0.2% to +0.3% m-o-m. In addition, May core retail sales that exclude autos posted a 0.5% m-o-m increase against the consensus forecast of +0.3%. Furthermore, core retail sales for April were revised up from +0.1% m-o-m to +0.5% m-o-m, which was another good news. Overall, April and May data combined should eliminate June rate cut expectations, if they were any.

When we look at the details of the data, we observe that motor vehicles (up by 0.7% m-o-m), electronics (+1.1%), sporting goods (+1.1%) and online retail (+1.4%) sales did post sizeable m-o-m increases in May, whereas department store sales were weak in May declining by 0.7% m-o-m.

Despite concerns that US economy is slowing down fast, April and May retail sales data suggest that the sales were actually doing better than expected. The recent data and revisions should trigger some upward revisions in the GDP growth forecasts for the second quarter, which hover at around 1%. Please recall that GDP growth in the first quarter of the year was 3.1%.

Although uncertainties regarding global economy and ongoing trade talks could still weigh on expenditure decisions of consumers and companies going forward, we do not think that a recession in the US looks imminent at this stage.

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