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Flash Macro Update (06/04/2019)

US factory orders for April was pretty much in line with the consensus. The new 'rate cut hype' by financial markets go on for some time now and the factory order data do not suggest anything against that growing hype. In April, factory orders were down by 0.8% m-o-m compared to expectations of -0.9% m-o-m. In addition, factory orders for all industries data for March revised down from +1.9% m-o-m to +1.3% m-o-m. Overall, the data looks weak. Recently, we saw that factory orders, durable goods orders and retail sales registered negative figures and the 'rate cut' camp is getting stronger and stronger with the dataflow.

When we check y-o-y changes, we still observe that US factory orders continue to grow but at a decelerating pace. We compute that factory orders posted a 1.0% y-o-y increase in April after registering a 1.2% y-o-y increase in March. It is clear that the US economy slows down but it is not in a recession yet.

The so-called core factory orders, which exclude transportation sector, posted a 0.3% m-o-m increase in April which was in line with expectations, but March data was revised down from +0.7% to +0.3%. Again, the core data supports the view that US economy is slowing down but not in a recession.

Factory order details in April indicated that there were order declines in transportation, manufacturing, computers and non-defence aircraft. It is worth noting that one of the sharpest declines was seen in the non-defence aircraft industry again that might continue in the coming months due to the recent developments in the US aviation sector.

Overall, number of high-frequency data that suggest a sizeable slowdown in US economic activity increased to four in April, according to our observation. So far, in April, factory orders, retail sales, durable goods orders and ISM disappointed hinting that US economic growth will lose pace in 2019. Whether it will be in form of a recession or not is yet to be seen.

Probably, the most important high-frequency macro data will be the monthly non-farm payroll data, which will be released on Friday. Stay tuned!

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