

U.S. Data Review

- Durable goods orders: some random volatility, but mostly solid order flows
- Revised GDP: modest adjustment

Michael Moran

Daiwa Capital Markets America
 212-612-6392
michael.moran@us.daiwacm.com

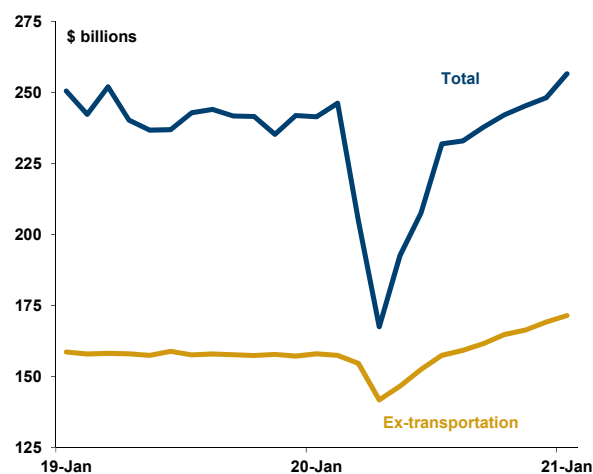
Durable Goods Orders

New orders for durable goods provided an upside surprise in January, jumping 3.4 percent and easily beating the expected advance of 1.1 percent. In addition, the gain occurred from an upward revised level in December, with growth now totaling 1.2 percent versus an initial estimate of 0.5 percent. Orders in December had already moved above the pre-pandemic peak in February, and the latest advance left bookings 4.2 percent above the February 2020 reading. Readings for aircraft bookings in the past year or so have restrained total order flows. Excluding transportation to eliminate this influence shows striking results, with orders 8.5 percent above the pre-pandemic peak (chart, left).

Some of the gain in January seemed to reflect the random volatility that often occurs in durable orders. For example, bookings for computers and electrical equipment surged to levels well above underlying trends and easily could correct in the next month or two. Also, orders for commercial aircraft, a highly volatile area, were above average. However, we do not view the January advance as statistical noise; underlying fundamentals also were strong. Most other areas posted gains, and no major sector showed underlying softness. Two areas that registered declines (machinery and communications equipment) reflected adjustments to unusual strength in prior readings. Bookings for motor vehicles also declined, but the drop was a mere wiggle around an elevated average.

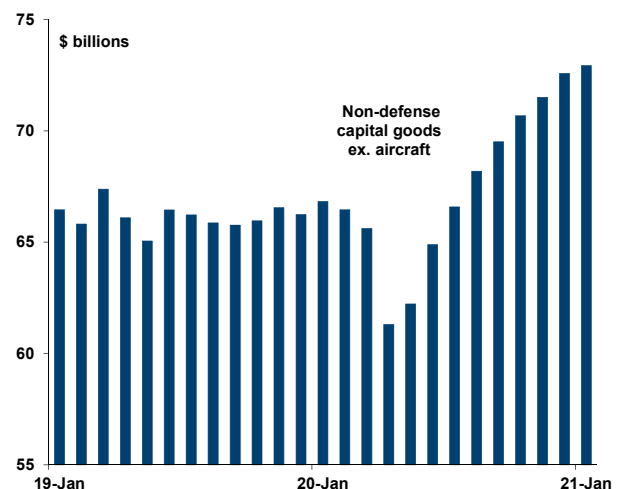
Orders for nondefense capital goods other than aircraft also suggested underlying strength, increasing 0.5 percent and marking the ninth consecutive gain. The latest advance left bookings 9.1 percent above the pre-pandemic peak in January 2020 (chart, right). Shipments of nondefense capital goods other than aircraft rose 2.1 percent, setting the stage for a strong quarter of business investment spending on new equipment. A large backlog of orders for capital goods suggests that strength in capex could extend beyond Q1.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

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Revised GDP

GDP posted an inconsequential revision in Q4, with growth now totaling 4.1 percent versus the initial estimate of 4.0 percent. The modest shift was in line with expectations (consensus of 4.2 percent).

The various components of GDP also posted modest adjustments, with residential construction, business fixed investment, inventory investment, and government spending slightly firmer than initially estimated, while consumer spending and net exports were a tad softer. The general picture of the economy was essentially unchanged, with the advance powered by consumer spending, business investment, and residential construction.

The results did not carry strong implications for activity in Q1. The upward revision to inventory investment might stir thoughts of less accumulation in early 2021, but the adjustment was not strong enough to lead to a major reassessment. The picture on Q1 will become a bit clearer tomorrow with reports for January on consumer spending, international trade in goods, and inventories at the wholesale and retail levels.

GDP and Related Items*

	20-Q4 (a)	20-Q4 (p)
1. Gross Domestic Product	4.0	4.1
2. Personal Consumption Expenditures	2.5	2.4
3. Nonresidential Fixed Investment	13.8	14.0
3a. Nonresidential Structures	3.0	1.1
3b. Nonresidential Equipment	24.9	25.7
3c. Intellectual Property Products	7.5	8.4
4. Change in Business Inventories	1.0	1.1
(Contribution to GDP Growth)		
5. Residential Construction	33.5	35.8
6. Total Government Purchases	-1.2	-1.1
6a. Federal Government Purchases	-0.5	-0.9
6b. State and Local Govt. Purchases	-1.7	-1.2
7. Net Exports	-1.5	-1.6
(Contribution to GDP Growth)		
7a. Exports	22.0	21.8
7b. Imports	29.5	29.6
Additional Items		
8. Final Sales	3.0	3.0
9. Final Sales to Domestic Purchasers	4.4	4.4
10. Gross Domestic Income	--	--
11. Average of GDP & GDI	--	--
12. GDP Chained Price Index	2.0	2.1
13. Core PCE Price Index	1.4	1.4

* Percent change SAAR, except as noted

(a) = advance (1st estimate of GDP); (p) = preliminary (2nd estimate of GDP)

Source: Bureau of Economic Analysis via Haver Analytics