U.S. Data Review

- Durable goods orders: random volatility in transportation; firm elsewhere
- Revised GDP: consumer spending adjusted higher; net exports & inventory investment revised lower

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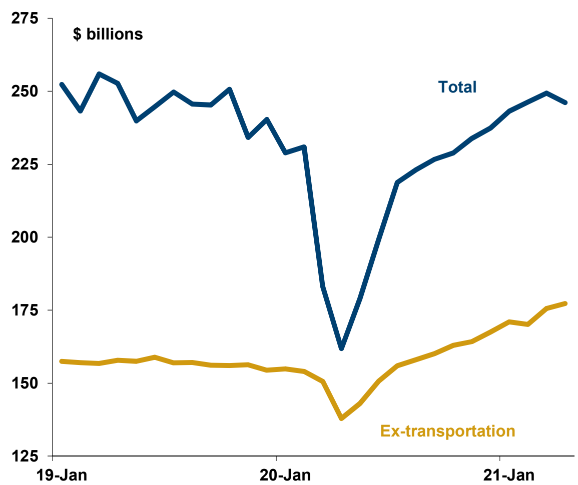
Durable Goods Orders

New orders for durable goods fell 1.3 percent in April, notably softer than the expected increase of 0.8 percent. However, the softness was concentrated in the transportation category (off 6.7 percent), and the decline could be viewed as statistical noise. Excluding transportation, new orders rose 1.0 percent, marking the 11th increase in the past 12 months and moving orders well above their pre-pandemic level (chart, left). Moreover, the April results occurred from upwardly revised figures in the prior month for both total bookings and orders excluding transportation.

The drop in the transportation component was the result of a 6.2 percent retreat in orders for motor vehicles and parts, which most likely is at least partially tied to the shortage of semiconductors, and defense aircraft, which often moves randomly. Orders for commercial aircraft rose moderately and have performed reasonably well in the past three months after an extended period of softness last year. Outside of transportation, gains were broadly based and underlying trends remained strong.

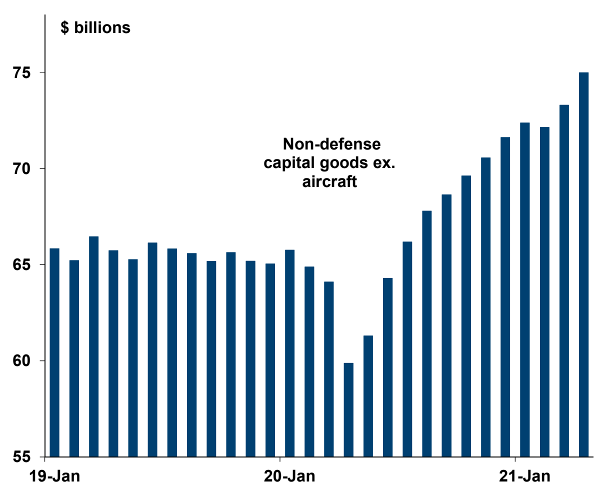
New orders for nondefense capital goods excluding aircraft, a series that provides good insight into capital spending by businesses, rose 2.3 percent. The advance continued a strong upward trend and left orders well above pre-pandemic levels (chart, right). Shipments of capital goods other than aircraft rose 0.9 percent, a solid performance that sets the stage for a good showing in equipment spending by businesses in Q2.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

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Revised GDP

The report on revised GDP showed growth of 6.4 percent in Q1, matching the advance estimate and a shade shy of the consensus forecast of a small upward adjustment to 6.5 percent. Changes among components were mostly moderate (and favorable), although several areas provided downside surprises.

On the positive side, consumer spending was revised higher from an already firm performance (11.3 percent, annual rate versus 10.7 percent, first reported). In addition, residential construction was revised higher, as was business investment in intellectual property.

A few areas registered downside surprises that added accents to already soft performances in Q1. Net exports stood out in this regard, subtracting 1.2 percentage points from GDP growth versus a drag of 0.9 percentage point in the advance estimate. Both sides of the trade ledger contributed, with exports declining more sharply than initially believed and imports increasing more firmly. Inventory investment also unexpectedly was adjusted downward, subtracting 2.8 percentage points from growth rather than 2.6 percentage points. Business investment in equipment and outlays by state and local governments also were revised lower, but the changes were modest.

On balance, today's report did not meaningfully alter the picture on the U.S. economy in Q1. Consumer spending, fueled by pent-up demand and generous government support, drove growth, while residential construction, business equipment spending, and government expenditures also contributed meaningfully. Continued government support and further recovery from the virus-related slowdown suggest that firm growth will continue over the balance of 2021.

GDP and Related Items*

		20-Q4	21-Q1 (a)	21-Q1 (p)
1.	**Gross Domestic Product**	4.3	6.4	6.4
2.	**Personal Consumption Expenditures**	2.3	10.7	11.3
3.	**Nonresidential Fixed Investment**	13.1	9.9	10.8
3a.	**Nonresidential Structures**	-6.2	-4.8	-5.8
3b.	**Nonresidential Equipment**	25.4	16.7	13.4
3c.	**Intellectual Property Products**	10.5	10.1	16.9
4.	**Change in Business Inventories (Contribution to GDP Growth)**	1.4	-2.6	-2.8
5.	**Residential Construction**	36.6	10.8	12.7
6.	**Total Government Purchases**	-0.8	6.3	5.8
6a.	**Federal Government Purchases**	-0.9	13.9	13.9
6b.	**State and Local Govt. Purchases**	-0.8	1.7	0.8
7.	**Net Exports (Contribution to GDP Growth)**	-1.5	-0.9	-1.2
7a.	**Exports**	22.3	-1.1	-2.9
7b.	**Imports**	29.8	5.7	6.7
	Additional Items			
8.	**Final Sales**	2.9	9.2	9.4
9.	**Final Sales to Domestic Purchasers**	4.4	9.8	10.3
10.	**Gross Domestic Income**	19.4	--	6.8
11.	**Average of GDP & GDI**	11.6	--	6.6
12.	**GDP Chained Price Index**	2.0	4.1	4.3
13.	**Core PCE Price Index**	1.3	2.3	2.5

** 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