

U.S. Data Review

- Durable goods orders: firm transportation orders; moderate elsewhere
- International trade in goods: slippage in May, but improvement so far in Q2
- Revised GDP: unrevised; softer net exports offset firmer results elsewhere

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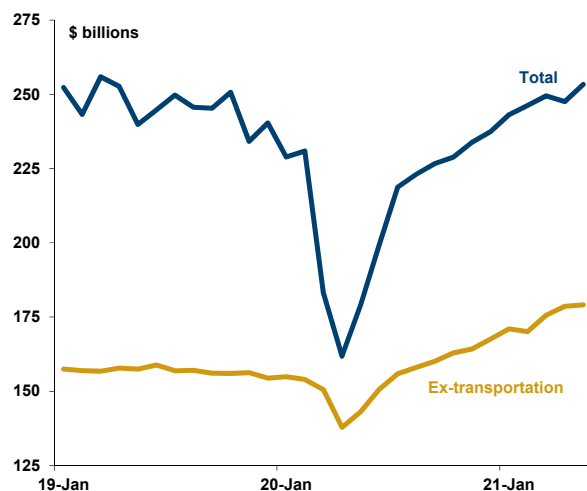
Durable Goods Orders

New orders for durable goods rose 2.3 percent in May, slightly softer than the expected advance of 2.8 percent. The change occurred from an upwardly revised level in April (0.5 percent firmer than previously believed). Taking account of the adjustment would leave the level of bookings about as expected.

Most of the increase in May occurred in the transportation component (up 7.6 percent), reflecting advances in both motor vehicles and commercial aircraft. The shifts in these areas were well within the normal range of variation, and thus they might be downplayed. However, we found the performance encouraging. The auto sector might have softened because of supply-chain difficulties (as it did in two of the prior three months), but it held its own in May (up 2.1 percent). The commercial aircraft sector was notably weak during most of 2020, but it is now reviving. Orders ex-transportation rose 0.3 percent, a moderate change that might be viewed as disappointing. However, the change occurred from an elevated reading in the prior month and the underlying trend remained firm.

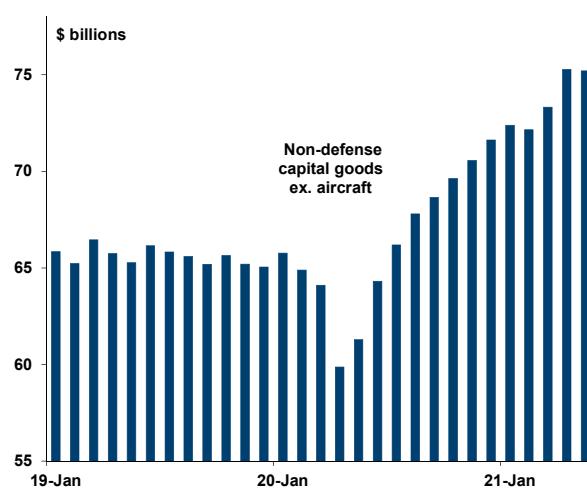
Orders for nondefense capital goods excluding aircraft slipped 0.1 percent in May, softer than the expected increase of 0.6 percent. However, the change occurred from an upwardly revised level (0.5 percent firmer than previously believed). Also, like new orders ex-transportation, the latest change followed firm results in other recent months and the soft showing in May did little damage to a solid trend (chart, right).

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



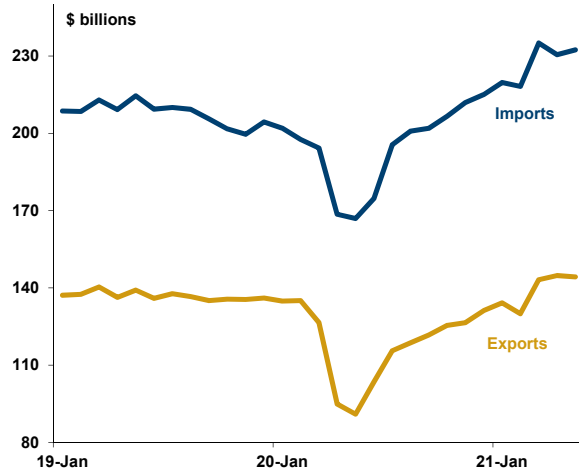
Source: U.S. Census Bureau via Haver Analytics

International Trade in Goods

The trade deficit in goods widened by \$2.4 billion in May to \$88.1 billion, slightly larger than the expected shift of \$1.8 billion. Both exports and imports contributed to the widening, as exports fell 0.3 percent and imports rose 0.8 percent. With the decline in May, exports have shown only a modest net advance in the past two months, but the small change followed a jump in March (up 10.1 percent), and the underlying trend remained upward. Imports have lost ground on balance in the past two months, but they too showed strong results in March and continued to trace an upward trend (chart; next page, left).

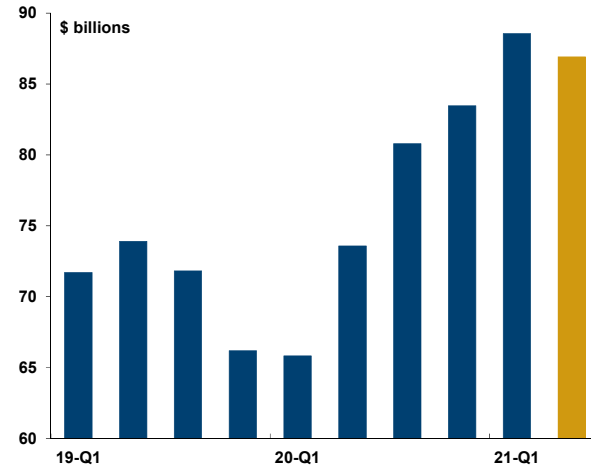
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U.S. International Trade in Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Goods Trade Deficit*



* Quarterly averages of monthly data. The reading for 2021-Q2 (gold bar) is the average of monthly results for April and May.

Source: U.S. Census Bureau via Haver Analytics; Daiwa Capital Markets America

Although the trade deficit widened in May, the average shortfall so far in the second quarter is lighter than that in Q1 (chart, right), raising the prospect of a positive contribution from net exports to GDP growth. The picture could change when we receive data for June (and price-adjusted data and service-related trade for May), but it seems reasonably certain that net exports for Q2 will have a sharply different influence than they had in the prior three quarters when they subtracted an average of 2.1 percentage points from GDP growth.

Revised GDP

The final reading for GDP growth in Q1 was unrevised from the prevailing estimate of 6.4 percent. While overall growth did not change, various components shifted, with most showing firmer results. Consumer spending was a touch firmer than previously believed, and business fixed investment and residential construction were firmer as well. Inventory investment, while notably soft, was less of a drag than previously estimated. These sources of improvement were offset by a weaker showing in net exports. Exports were a bit better than previously believed (i.e. less negative), but imports showed a marked pickup in growth (9.5 percent rather than 6.7 percent).

GDP and Related Items*

	20-Q4	21-Q1 (p)	21-Q1 (r)
1. Gross Domestic Product	4.3	6.4	6.4
2. Personal Consumption Expenditures	2.3	11.3	11.4
3. Nonresidential Fixed Investment	13.1	10.8	11.7
3a. Nonresidential Structures	-6.2	-5.8	-2.0
3b. Nonresidential Equipment	25.4	13.4	15.0
3c. Intellectual Property Products	10.5	16.9	15.3
4. Change in Business Inventories	1.4	-2.8	-2.7
(Contribution to GDP Growth)			
5. Residential Construction	36.6	12.7	13.1
6. Total Government Purchases	-0.8	5.8	5.7
6a. Federal Government Purchases	-0.9	13.9	13.8
6b. State and Local Govt. Purchases	-0.8	0.8	0.8
7. Net Exports	-1.5	-1.2	-1.5
(Contribution to GDP Growth)			
7a. Exports	22.3	-2.9	-2.1
7b. Imports	29.8	6.7	9.5
Additional Items			
8. Final Sales	2.9	9.4	9.2
9. Final Sales to Domestic Purchasers	4.4	10.3	10.5
10. Gross Domestic Income	15.7	6.8	7.6
11. Average of GDP & GDI	9.9	6.6	7.0
12. GDP Chained Price Index	2.0	4.3	4.3
13. Core PCE Price Index	1.3	2.5	2.5

* Percent change SAAR, except as noted

(p) = preliminary (2nd estimate of GDP); (r) = revised (3rd estimate of GDP)

Source: Bureau of Economic Analysis via Haver Analytics