

U.S. Data Review

- Durable goods orders: hints of easing, but still advancing
- Consumer confidence: closing in on pre-pandemic levels

Michael Moran

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

Durable Goods Orders

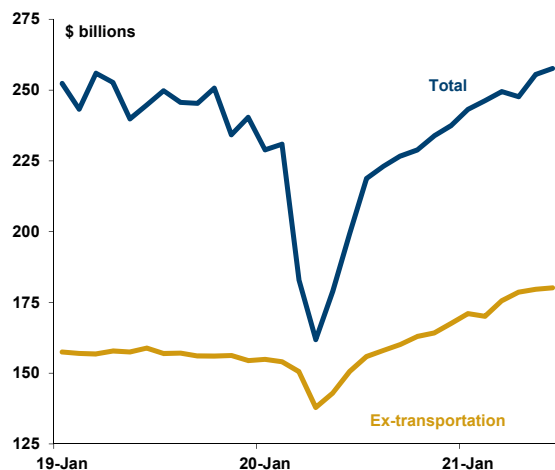
New orders for durable goods rose 0.8 percent in June, lighter than the expected increase of 2.1 percent, although an upward revision to results in May eased some of the disappointment (3.2 percent versus 2.3 percent). The trend is still clearly upward, and the pace of growth is firm, but the rate of advance is easing. The average increase in the past three months totaled 1.1 percent, down from an average of 1.7 percent from August through March. Given that orders have fully recovered from their collapse early last year, the slowdown is not surprising.

Part of the expectation for June was based on a strong performance in the commercial aircraft category, as Boeing reported a large booking for the 737 Max. This component did not (deeply) disappoint. The advance of 17.0 percent was lighter than we had built in, but it still represented a solid performance. Also, most of the upward revision to May occurred in this category. Given the revision and the latest gain, the level of orders for commercial aircraft was the best since late 2019 and now seems to be on track after a dismal performance in 2020.

Durable orders ex-transportation rose 0.3 percent, shy of the expected increase of 0.8 percent. The upward revision to May was equivalent to 0.3 percentage point of growth. As with the headline figure, the rate of increase in orders ex-transportation seems to be easing (up an average of 0.9 percent in the past three months versus 1.5 percent from August to March). However, with bookings ex-transportation now well above pre-pandemic levels, some easing should be expected.

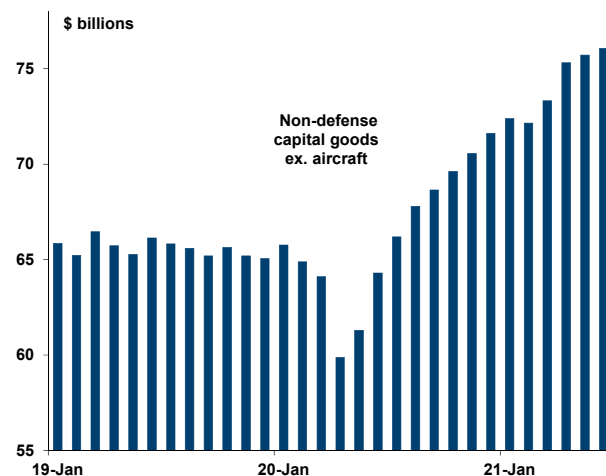
New orders for nondefense capital goods excluding aircraft rose 0.5 percent in June and were joined by an upward revision of 0.4 percent in May. The combined results could be viewed as slightly better than the expected increase of 0.8 percent. This series has been firm throughout the current recovery period and is now well above pre-pandemic levels (chart, right). This performance bodes well for capital spending.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



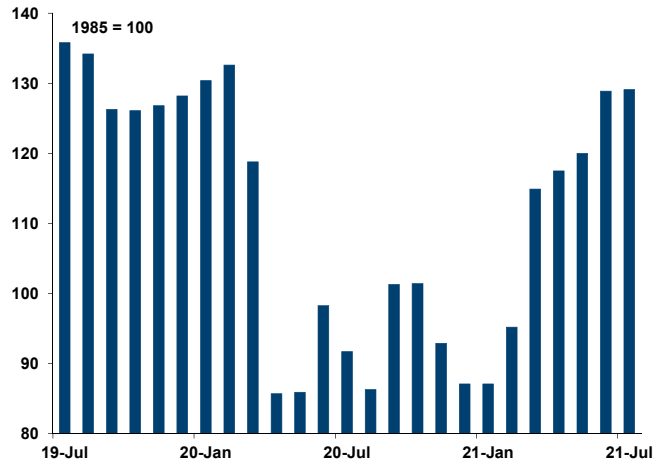
Source: U.S. Census Bureau via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.

Consumer Confidence

The index of consumer confidence rose modestly in July (up 0.2 percent), but the change occurred from an upwardly revised level in June (1.3 percent firmer than previously believed). The combined results represented a much better performance than the expected decline of 2.7 percent. The index has now increased for six consecutive months, including brisk advances in February and March. The measure lingered at a low level for much of the early part of the expansion, and thus it is still shy of pre-pandemic levels (2.6 percent below the level in February 2020). However, recent progress is encouraging. Even the small gain in July is promising, as the recent acceleration in inflation had the potential to dampen moods.

Consumer Confidence



Source: The Conference Board via Haver Analytics