

U.S. Data Review

- Durable goods orders: jump in headline driven by volatility in aircraft; booking ex. transportation moving sideways
- International trade: surprise narrowing in the goods deficit for March

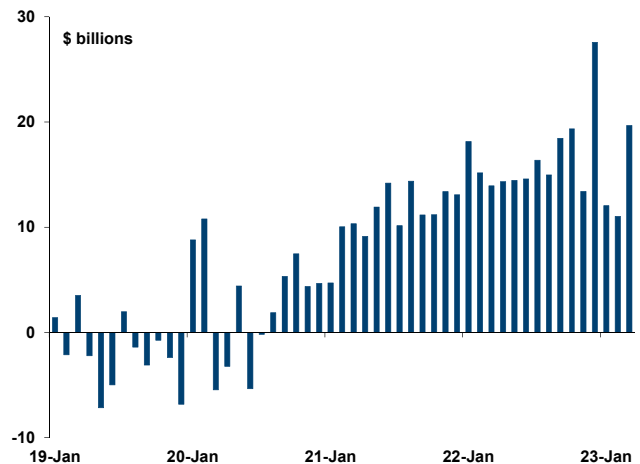
Lawrence Werther

 Daiwa Capital Markets America
 212-612-6393
 lawrence.werther@us.daiwacm.com

Durable Goods Orders

- New orders for durable goods jumped 3.2 percent in March, much firmer than the expected pickup of 0.7 percent. However, wide swings in the headline component in late 2022 and early this year were driven by marked volatility in the aircraft component (civilian and defense combined). The moves were especially pronounced in the civilian aircraft category, where order flows at Boeing have swung dramatically since late last year (chart, right). Averaging through the volatility left a flat trend in headline durable goods orders since last fall (chart, below left).
- Durable goods bookings excluding transportation rose 0.3 percent in March from a downwardly revised reading in February (-0.3 percent versus -0.1 percent). Orders ex. transportation have tilted lower since last summer (chart, below left).

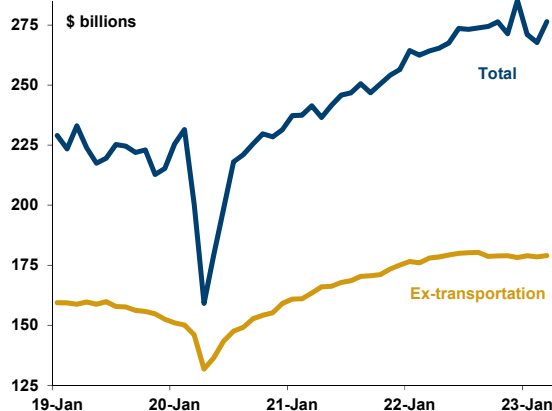
New Orders for Nondefense Aircraft & Parts



Source: U.S. Census Bureau via Haver Analytics

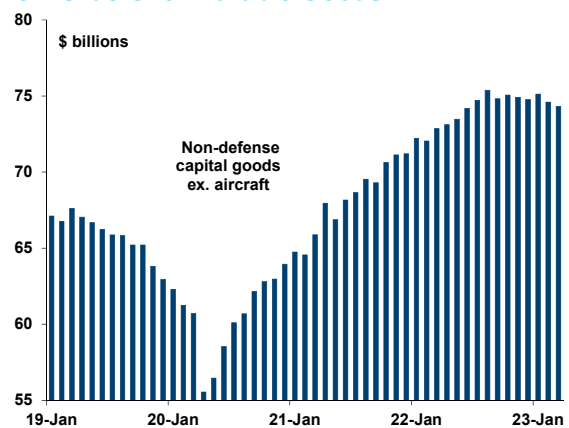
- New orders for nondefense capital goods ex. aircraft, which give good insight into capital spending plans by businesses, fell 0.4 percent in March from downwardly revised results in the prior month (a decline of 0.7 percent versus -0.1 percent previously reported). Bookings have drifted lower in recent months (chart, below right).
- Nominal shipments for nondefense capital goods ex. aircraft for the first quarter of 2023 exceeded the average in 22-Q4 by a small margin, but they eased after adjusting by the PPI. The results imply that real capital spending could be a drag on GDP growth for the second consecutive quarter.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



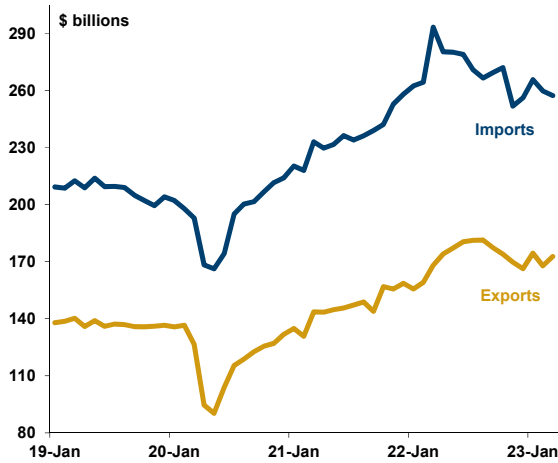
Source: U.S. Census Bureau via Haver Analytics

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U.S. International Trade in Goods

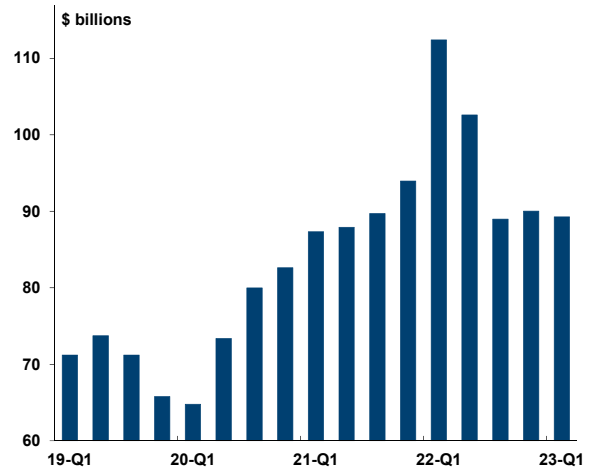
- The monthly trade deficit in goods narrowed by \$7.4 billion in March to \$84.6 billion. The result was far narrower than the expected shortfall of \$90.0 billion. Both exports and imports contributed to the improvement in the monthly deficit, with exports increasing 2.9 percent and imports slipping 1.0 percent (chart, left). While the month-to-month deficit improved, it remained within the range in place since the summer of 2022. Recent deficits have narrowed noticeably from those in late 2021 and early 2022, but they are much wider than those prior to the onset of the pandemic.
- Today's trade data have implications for the Q1 GDP report published tomorrow. The nominal goods deficit improved slightly from that in Q4 (chart, right). Moreover, available price indexes suggest that the real goods deficit also narrowed. While the change for the quarter as a whole does not appear to be pronounced, it implies a modest positive contribution from net exports to GDP growth.

Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Trade Deficit in Goods*



* Quarterly averages of monthly data.

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