Daiwa Capital Markets

U.S. Data Review

- Revised GDP: third estimate of Q2 GDP close to preliminary tally; GDI data revised higher
- Inflation: firm in Q2
- Update to the National Economic Accounts: firmer GDP growth in recent years than first published
- Durable goods orders: subdued headline, pickup in orders ex. transportation
- Unemployment claims: initial claims inch lower while continuing claims move up
- Pending home sales: slight uptick from historical low

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Revised Q2 GDP & Annual Update of the National Economic Accounts

- Although the third estimate of quarterly GDP often tracks closely with the second tally, which was again the case with the final release of 2024-Q2 data, the latest report was still worthy of scrutiny. Importantly, the annual update to the National Economic Accounts released concurrently with the latest round of growth data provided retrospective views on data from 2019 onwards, which tilted firmer than previously reported.

- Regarding the Q2 data, the third estimate was unrevised at 3.0 percent, annual rate, although there were some notable downward adjustments to key components. Importantly, final sales to private domestic purchasers (which excludes inventory investment, net exports, and government investment) was a bit lighter than previously believed (growth of 2.7 percent versus 2.9 percent previously reported). Consumer spending, nonresidential investment, and residential construction all contributed to the revision (table). With that said, the reading on final sales to private domestic purchasers was still indicative of a solid pace of activity in the U.S. economy.

- Inventory investment primarily provided an offset to negative revisions elsewhere. A change of $71.7 billion in private inventories equated to a contribution of 1.1 percentage points to growth (versus a previously reported contribution of 0.8 percentage point).

GDP and Related Items*

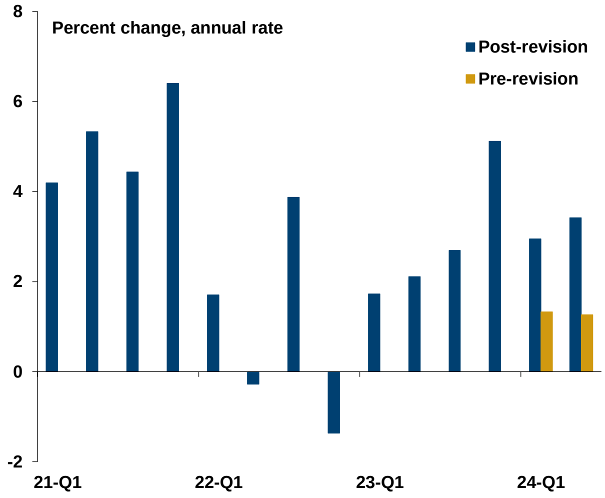
		24-Q1	24-Q2(p)	24-Q2(r)
1.	Gross Domestic Product	1.6	3.0	3.0
2.	Personal Consumption Expenditures	1.9	2.9	2.8
3.	Nonresidential Fixed Investment	4.5	4.6	3.9
3a.	Nonresidential Structures	6.3	-1.6	0.2
3b.	Nonresidential Equipment	0.3	10.8	9.8
3c.	Intellectual Property Products	7.5	2.6	0.7
4.	Change in Business Inventories (Contribution to GDP Growth)	-0.5	0.8	1.1
5.	Residential Construction	13.7	-2.0	-2.8
6.	Total Government Purchases	1.8	2.7	3.1
6a.	Federal Government Purchases	-0.4	3.3	4.3
6b.	State and Local Govt. Purchases	3.1	2.3	2.3
7.	Net Exports (Contribution to GDP Growth)	-0.6	-0.8	-0.9
7a.	Exports	1.9	1.6	1.0
7b.	Imports	6.1	7.0	7.6
	Additional Items			
8.	Final Sales	2.1	2.2	1.9
9.	Final Sales to Domestic Purchasers	2.7	2.9	2.8
10.	Gross Domestic Income	3.0	1.3	3.4
11.	Average of GDP & GDI	2.3	2.1	3.2
12.	GDP Chained Price Index	3.0	2.5	2.5
13.	Core PCE Price Index	3.7	2.8	2.8

** 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

- Gross domestic income, an alternate measure of economic activity that tabulates income earned on production, was revised notably higher in Q2 (3.4 percent, annual rate, versus 1.3 percent, annual rate, previously reported), as were results for Q1 (growth of 3.0 percent versus 1.3 percent previously; chart). In a similar vein, an average of GDP and GDI – an alternative view on output – rose 3.2 percent, annual rate, in Q2 versus 2.1 percent previously – again suggesting a favorable performance in the economy.

- Inflation data for Q2 (unrevised from previous estimates) were firm. The GDP price index rose 2.5 percent, annual rate, while the core PCE price index increased 2.8 percent.

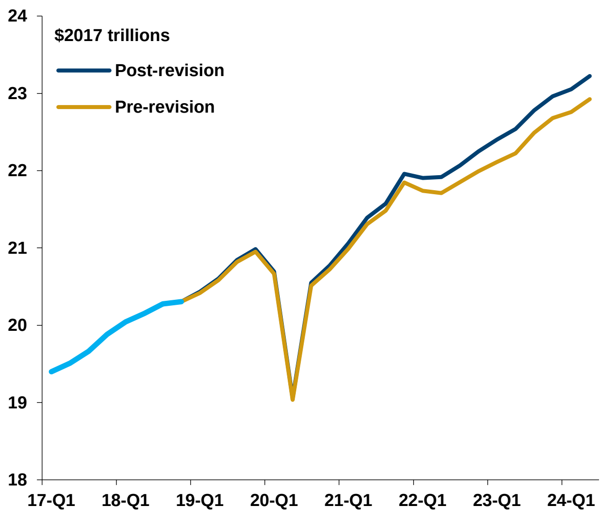
Gross Domestic Income



Source: Bureau of Economic Analysis via Haver Analytics

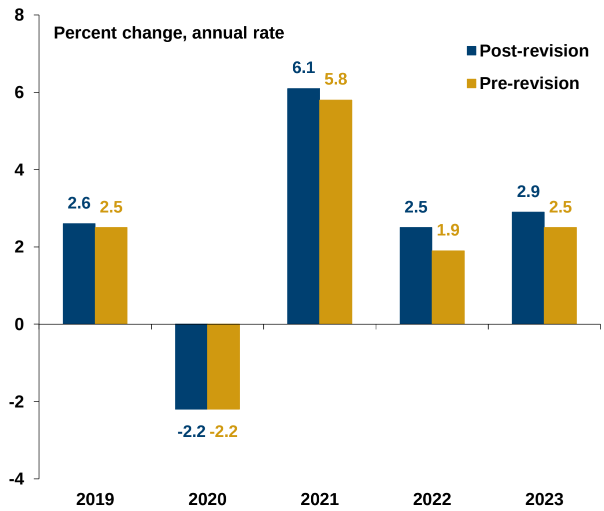
- Revisions to GDP occurring alongside updates to the National Economic Accounts suggest that the post-COVID recovery was firmer than previously believed (charts, below). However, downward adjustments were incorporated into the back half of last year. GDP grew at an annual rate of 4.4 percent in 2023-Q3 (versus 4.9 percent) and 3.2 percent in Q4 (versus 3.4 percent), although activity in 2024-Q1 was better than first believed (growth of 1.6 percent versus 1.4 percent).

Gross Domestic Product



Source: Bureau of Economic Analysis via Haver Analytics

Change in Real GDP



Source: Bureau of Economic Analysis via Haver Analytics

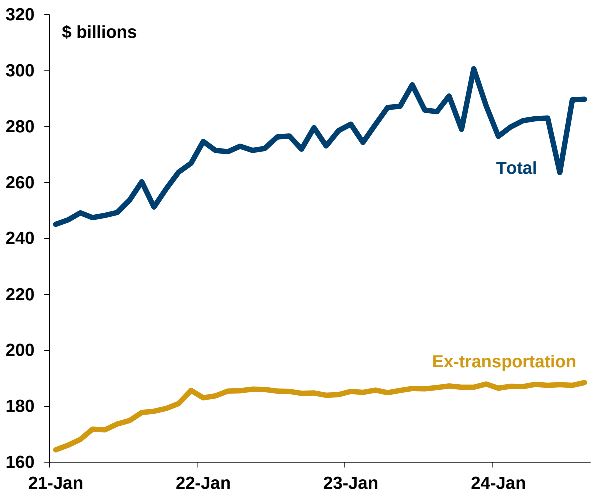
Durable Goods Orders

- Durable goods orders were flat in August (versus the median expectation of a decline of 2.7 percent) after a surge of 9.9 percent in July tied to upside volatility in the aircraft component. Orders excluding transportation rose 0.5 percent, exceeding the consensus view of an uptick of 0.1 percent, after a modest net decline in the previous three months (chart, next page, left). The trends in both areas remained positive but unimpressive, with headline bookings up 1.5 percent year-over-year and orders excluding transportation up 1.0 percent.

- New orders for nondefense capital goods excluding aircraft, which provide insight into firms' plans for capital spending, rose 0.2 percent in August (versus +0.1 percent expected; chart, next page, right). However, the trend in this area remained subdued, with bookings down 0.1 percent year-over-year.

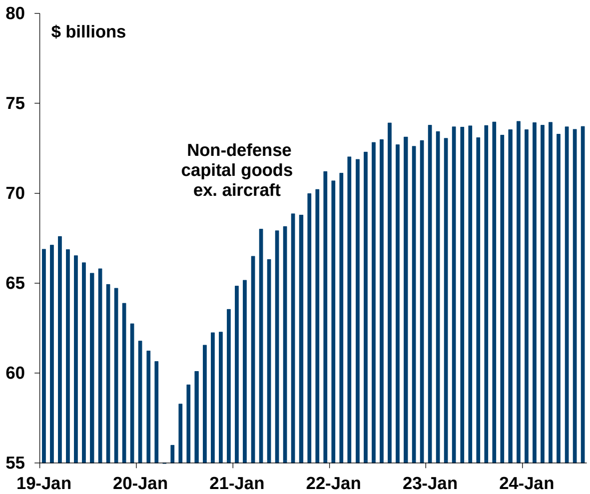
- Shipments of nondefense capital goods excluding aircraft, which correlate with cap-ex in the current quarter, rose 0.1 percent after declining 0.4 percent in July – indicative of ongoing restraint in capital spending by businesses.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



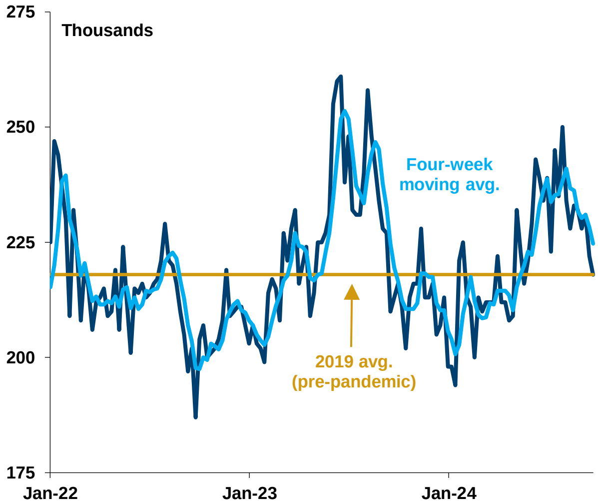
Source: U.S. Census Bureau via Haver Analytics

Unemployment Claims

- Initial claims for unemployment insurance decreased in the week ending September 21, falling by 4,000 to 218,000 (the lowest value observed since a reading of 216,000 for the week ending May 18, 2024). Concurrently, the four-week moving average – a measure used to help smooth the week-to-week volatility in claims – dipped 3,500 to 224,750. Claims have trended lower since reaching the summer high of 250,000 in July, with the performance in the latest week leaving them roughly equal to the 2019 pre-pandemic average (a period when the labor market was viewed as firm; chart, below left).

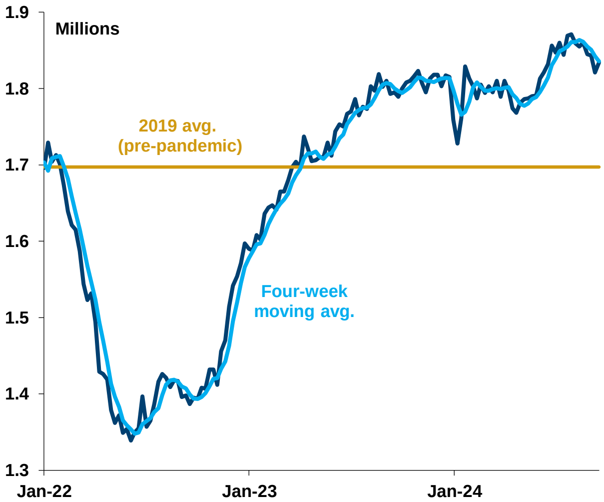
- Continuing claims, in contrast, increased 13,000 to 1.834 million in the week ending September 14. The four-week moving average, however, decreased by 6,500 to 1.836 million, its fifth consecutive decline. Claims have remained above the 2019 pre-pandemic average of approximately 1.7 million since March 2023, but, as we currently view the data, this softening appears consistent with a rebalancing in previously tight labor market conditions rather than rapid and outright deterioration (chart, below right).

Initial Claims for Unemployment Insurance



Source: U.S. Department of Labor via Haver Analytics

Continuing Claims for Unemployment Insurance

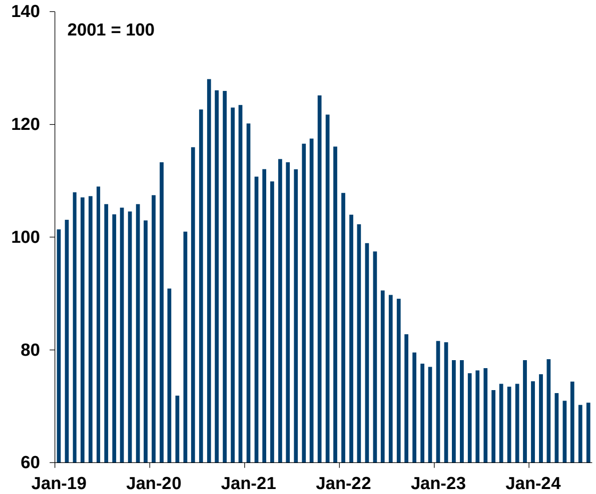


Source: U.S. Department of Labor via Haver Analytics

Pending Home Sales

- Pending home sales rose 0.6 percent in August (-4.3 percent year-over-year), following a month-over-month plunge of 5.5 percent in July. Despite the improvement, the index for sales is near the bottom of the long-term range (only 0.4 point off the historical low of 70.2; chart). That is to say, the performance in pending home sales signals that affordability constraints and depleted inventories are hampering activity in the housing market. On that point, the index (which is useful in projecting sales a few months into the future) suggests that sales of existing home sales are likely to remain sluggish in the near-term. However, with the Federal Reserve embarking on its monetary policy easing cycle last week and mortgage rates trending lower, the housing market could see an eventual boost in activity supported by a broadened pool of buyers.

Pending Home Sales



Source: National Association of Realtors via Haver Analytics