U.S. Data Review

- Durable goods: decline in aircraft orders weighs on headline; April shipments data point to soft start for Q2 cap-ex
- Consumer confidence: rebound led by an advance in expectations

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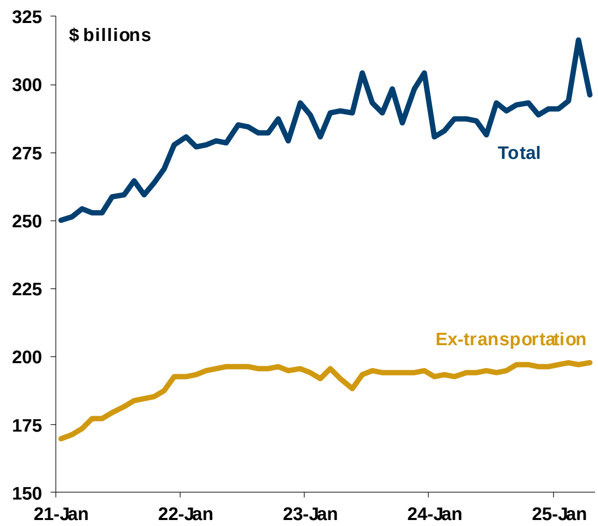
Durable Goods Orders

- New orders for durable goods fell 6.3 percent in April (versus the Bloomberg economist survey expectation of a 7.8 percent drop). Much of the decline was driven by a plunge of 45.7 percent in aircraft bookings. Digging deeper, the civilian aircraft component, which is a subset of total aircraft orders, decreased 51.5 percent after a surge of 158.5 percent in March -- reflecting volatile order flows at Boeing. Orders excluding transportation were better, however, rising 0.2 percent in April (versus the expectation of no change) after easing 0.2 percent in the prior month. The trends in these areas remain positive but mostly impressive, with headline bookings and orders ex. transportation up 3.2 percent and 1.9 percent year-over-year, respectively (chart, below left).

- New orders for nondefense capital goods excluding aircraft, which provide insight into firms' capital expenditure plans, dipped 1.3 percent in April (versus -0.2 percent expected; chart, below right). Bookings had stirred around the turn of the year – possibly reflecting an effort to front-run tariffs – but they have softened more recently in response to ongoing uncertainty surrounding trade policy.

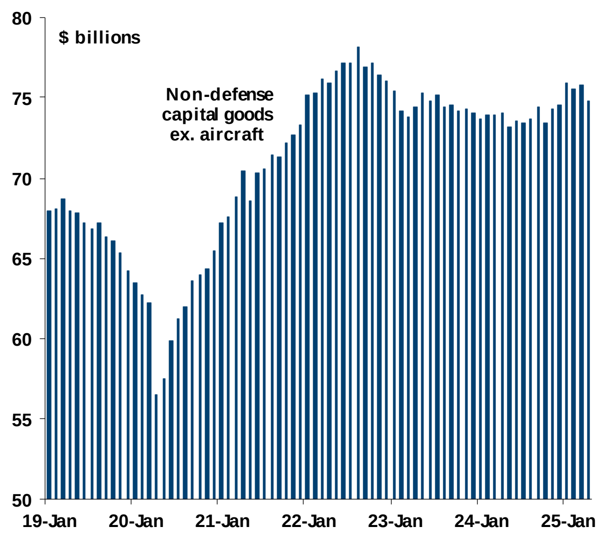
- Shipments for nondefense capital goods excluding aircraft, which correlate with capital expenditures in the GDP accounts, eased 0.1 percent in the latest month (in line with the Bloomberg survey expectation). April's result, while only reflecting a portion of the overall picture, suggest a soft start for equipment spending in Q2 after a burst of 22.5 percent, annual rate, in Q1.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



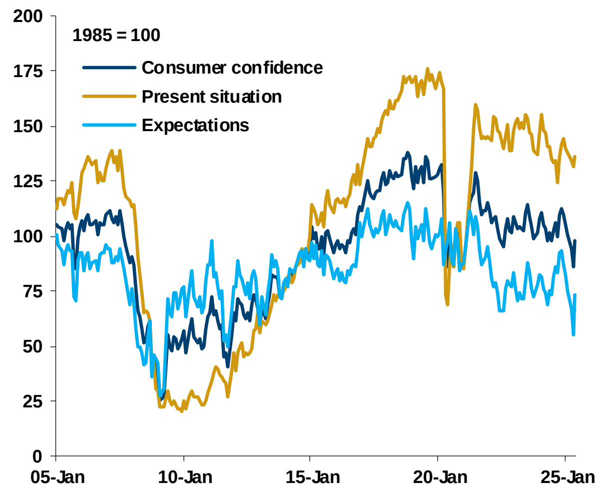
Source: U.S. Census Bureau via Haver Analytics

Daiwa Capital Markets

Consumer Confidence

- The Conference Board's index of consumer confidence surprised to the upside in May, rising 12.3 points (+14.4 percent) to 98.0 – a reading still in the low end of the range of the current expansion. The latest result exceeded all forecasts submitted to the Bloomberg survey and ended a 5-month string of declines. Looking further, the 17.4 index point jump (+31.4 percent) to 72.8 in consumer expectations primarily contributed to the recovery seen in May, with the business conditions, employment prospects, and future income subcomponents all increasing. As indicated in the official release, approximately half of the survey responses were collected after the May 12 announcement of a 90-day tariff truce between the United States and China. Additionally, the present situation component, increased 4.8 points (+3.7 percent) to 135.9, an observation in the lower end of the range of the past few years although well above the lows seen in the throes of the pandemic (chart, right).

Consumer Confidence

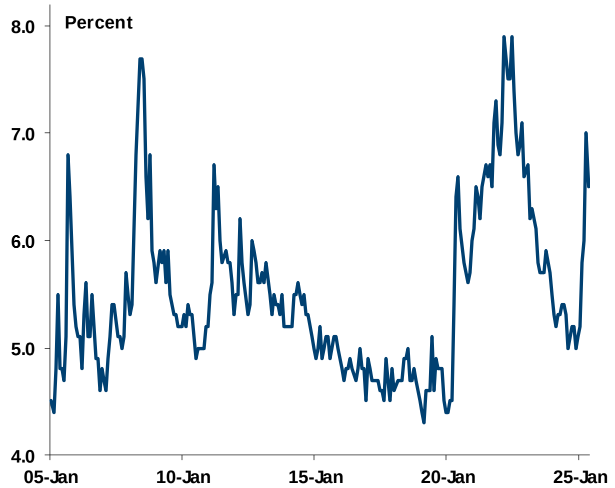


Source: The Conference Board via Haver Analytics

- Uncertainty surrounding trade policy (specifically in regard to tariffs) has generated considerable concern amongst survey respondents in recent months, contributing to the rise seen in the inflation expectations measure since the turn of the year. That said, the aforementioned tariff pause with China seemed to have alleviate angst somewhat, with expectations for inflation 12 months hence easing 0.5 percentage point in May to 6.5 percent. However, while below the peak of 7.9 percent in 2022, the latest reading is still within the range of observations seen during the prior bout of rapid inflation (chart, below left).

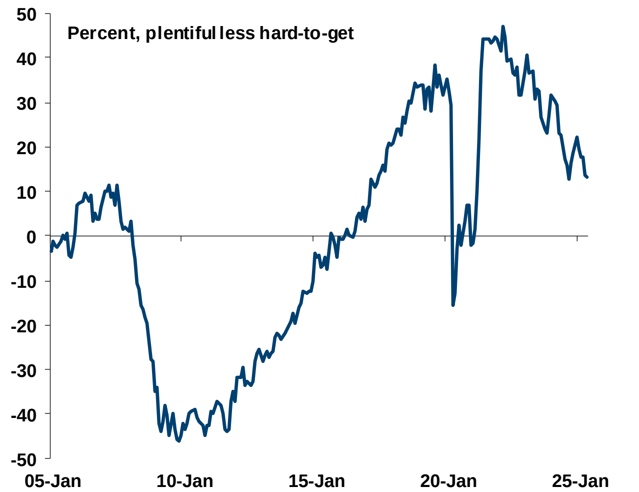
- Despite the improvement in overall attitudes, assessments of the labor market softened in May. On the point, the share of survey respondents reporting that jobs were plentiful rose 0.6 percentage point to 31.8 percent while the share indicating that they were hard to get advanced 1.1 percentage point to 18.6 percent. Resultantly, the net labor market differential (plentiful less hard-to-get) declined 0.5 percentage point to 13.2 percent, its fifth consecutive decline though still solid from a longer-term perspective (chart, below right). Firms have adopted a wait-and-see approach to staffing, but layoffs could pickup in coming months should the economy show meaningful signs of softening.

Consumer Inflation Expectations*



** 12 months hence*
Source: The Conference Board via Haver Analytics

Labor Market Differential*



** The share of survey respondents who reported that jobs were "plentiful" less those who said they were "hard-to-get."*
Source: The Conference Board via Haver Analytics