

U.S. Data Review

- Durable goods: decline in aircraft orders constrains headline; solid advance for bookings ex. transportation
- Consumer confidence: decline in August due to rise in inflation expectations and souring views of the labor market

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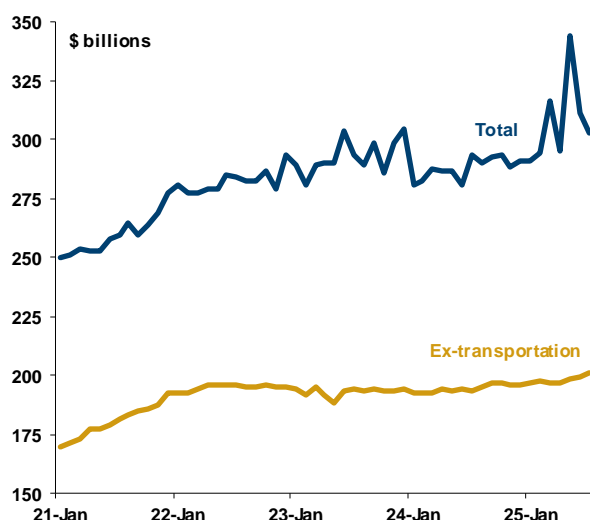
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Durable Goods Orders

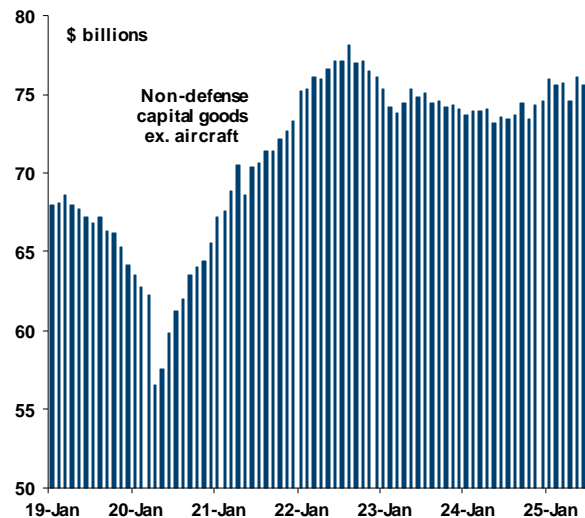
- Following a decline of 9.4 percent in the prior month, new orders for durable goods fell again in July, easing 2.8 percent (versus the Bloomberg economist survey median expectation of a 3.8 percent drop). The latest decline was influenced importantly by the often-volatile transportation category (off 9.7 percent in the latest month), with aircraft bookings declining 26.8 percent. Digging deeper, the civilian aircraft component, which is a subset of total aircraft orders, plunged 32.7 percent – reflecting a dip in order flows at Boeing. Orders excluding transportation, on the other hand, surprised to the upside with a 1.1 percent increase in July (versus +0.2 percent expected) – the largest monthly gain since September 2024. Headline bookings and orders ex. transportation are up 3.3 and 3.8 percent year-over-year, respectively (chart, below left), with the upward tilt in bookings excluding transportation possibly signaling a pickup from the previously unimpressive trend.
- New orders for nondefense capital goods excluding aircraft, which provide insight into firms' capital spending plans, rose 1.1 percent in July (+4.1 percent year-over-year, up from +2.8 percent in June; chart, below right). While bookings were solid in the latest month, we remain concerned that trade policy (tariffs) remains a key constrain on underlying demand and thus points to a cloudy outlook for orders at least through the end of 2025.
- Shipments for nondefense capital goods excluding aircraft, which correlate with capital expenditures in the GDP accounts, increased 0.7 percent in the latest month. July's result, while only reflecting a portion of the Q3 picture, suggests that equipment spending in the GDP accounts could record a modest advance in Q3 after increasing 23.7 and 4.8 percent, annual rate, in Q1 and Q2, respectively.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



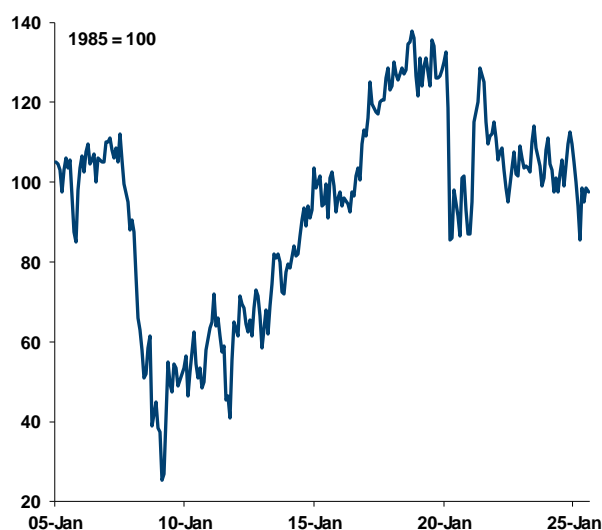
Source: U.S. Census Bureau via Haver Analytics

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Consumer Confidence

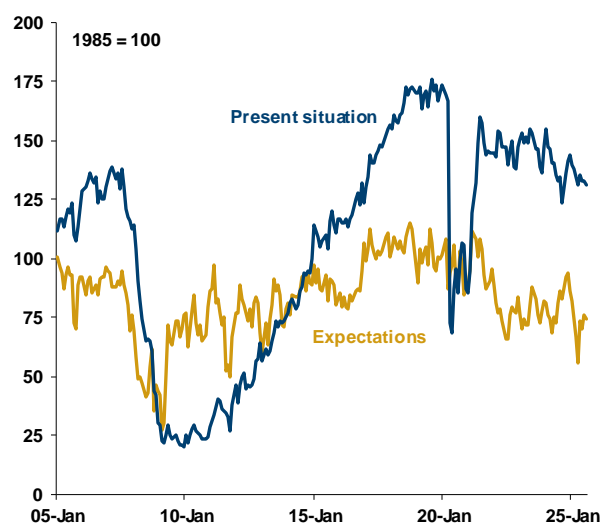
- The Conference Board's index of consumer confidence fell 1.3 index points (-1.3 percent) to 97.4 in August – a bit better than the Bloomberg survey expectation of 96.5 but still in the low end of the post-pandemic range (chart, below left). Of note, the latest result followed an upward revision to the prior month (98.7 versus a preliminary estimate of 97.2), indicating that confidence is actually a bit higher than previously believed. Nonetheless, dips in both the present situation (-1.6 index points, or -1.2 percent, to 131.2) and expectations (-1.2 index points, or -1.6 percent, to 74.8) components contributed to the headline's softening, though the deterioration in the former category stood out. Indeed, with its seventh decline in the past eight months, the present situation is now 12.8 points (-8.9 percent) below the post-election high of 144.0 in December of last year, highlighting consumers' concerns about sticky inflation and softening labor market conditions (chart, below right).

Consumer Confidence



Source: The Conference Board via Haver Analytics

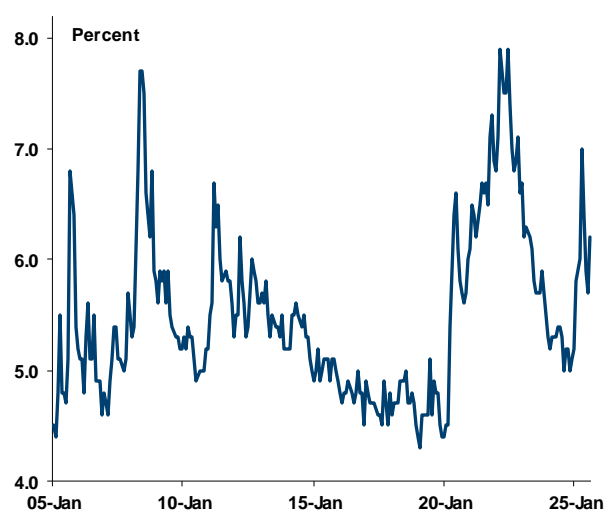
Consumer Confidence



Source: The Conference Board via Haver Analytics

- On the point of inflation expectations, uncertainty surrounding the Trump administration's variable tariff agenda was once again a key concern for survey respondents in August, with Stephanie Guichard, Senior Economist, Global Indicators at The Conference Board, noting in the official release: "Consumers' write-in responses showed that references to tariffs increased somewhat and continued to be associated with concerns about higher prices." Resultantly, expectations for inflation 12 months hence rose 0.5 percentage point to 6.2 percent in the latest month. After falling from a recent peak of 7.9 percent in the first half of 2022, inflation expectations have turned higher again since falling to the recent low of 5.0 percent in November of last year (chart).

Consumer Inflation Expectations*

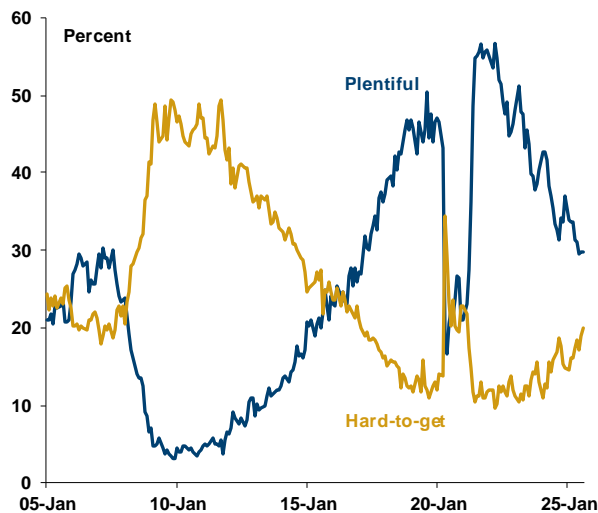


* 12 months hence

Source: The Conference Board via Haver Analytics

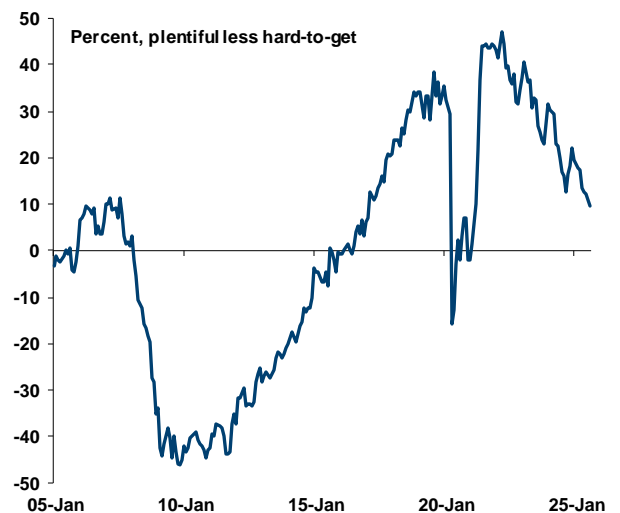
- Views on the labor market also deteriorated, with the share of survey respondents indicating that jobs were plentiful slipping 0.2 percentage point to 29.7 percent while those reporting that jobs were hard to get increased 1.1 percentage points to 20.0 percent – the highest read since February 2021 (chart, below left). The net labor market differential (plentiful less hard-to-get) continued on its downward trend, easing 1.3 percentage points to 9.7 percent – its eighth consecutive decline (chart, below right). Importantly, labor market conditions have cooled in recent months (e.g., upward drift in continuing unemployment claims, large downward revisions to nonfarm payroll growth in May and June, etc.), which has seemingly caught the attention of Fed officials and increased the likelihood of near-term easing in monetary policy. In that regard, Fed Chair Powell indicated last Friday in his remarks at the Jackson Hole Economic Symposium that “downside risks to employment are rising.”

Consumers' Views on Jobs



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