Datanote: Consumer Confidence, February

In one line: Consistent with still-subdued business investment.

- February durable goods orders rose by 1.4%, above the consensus, 1.0%, but net revisions were -0.7%.

- Orders ex-transportation increased by 0.5%, slightly above the consensus, 0.4%. Net revisions were +0.1%.

- Nondefense capital goods orders

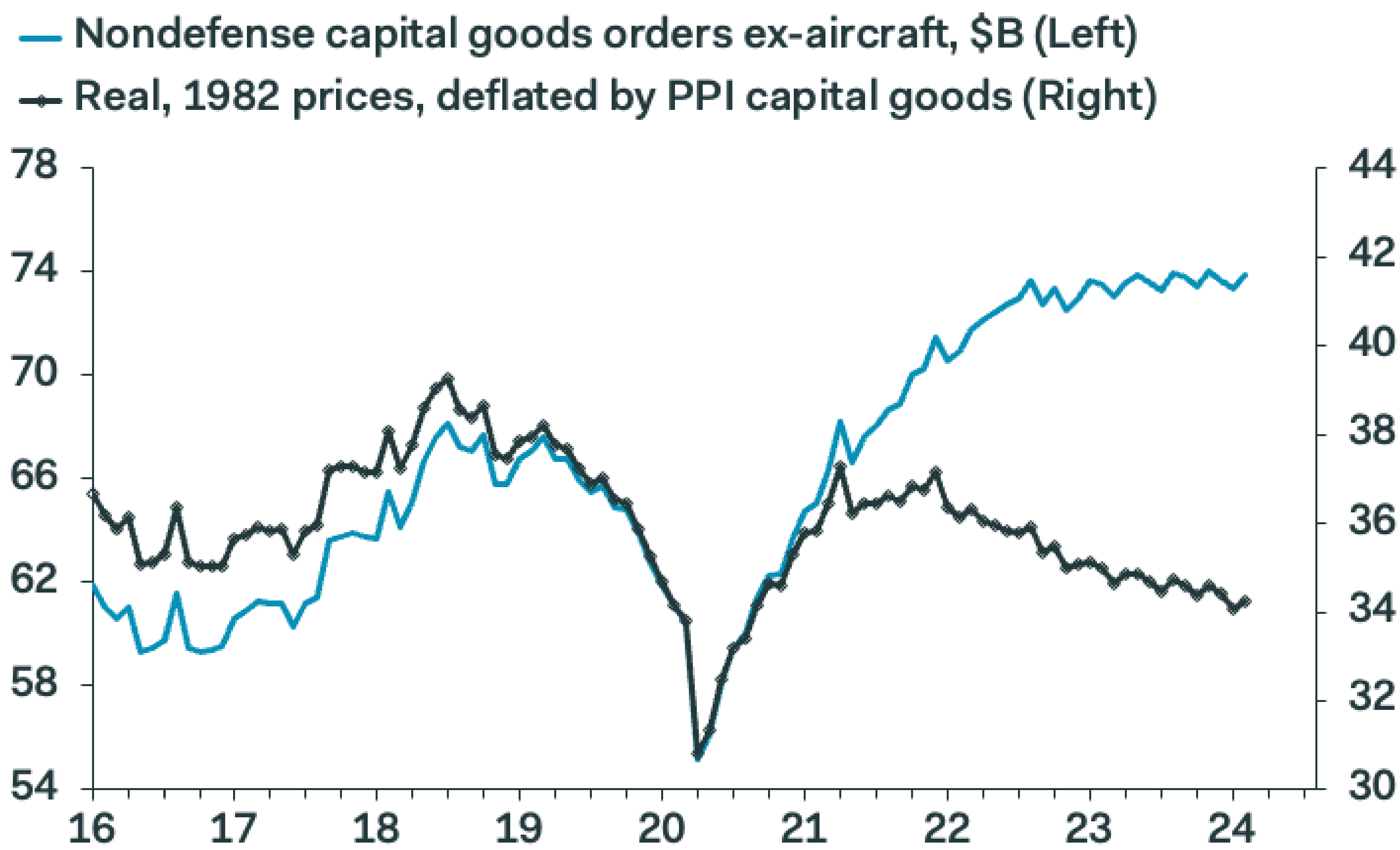
ex-aircraft rose by 0.7%, above the consensus, 0.1%. Net revisions were -0.4%.

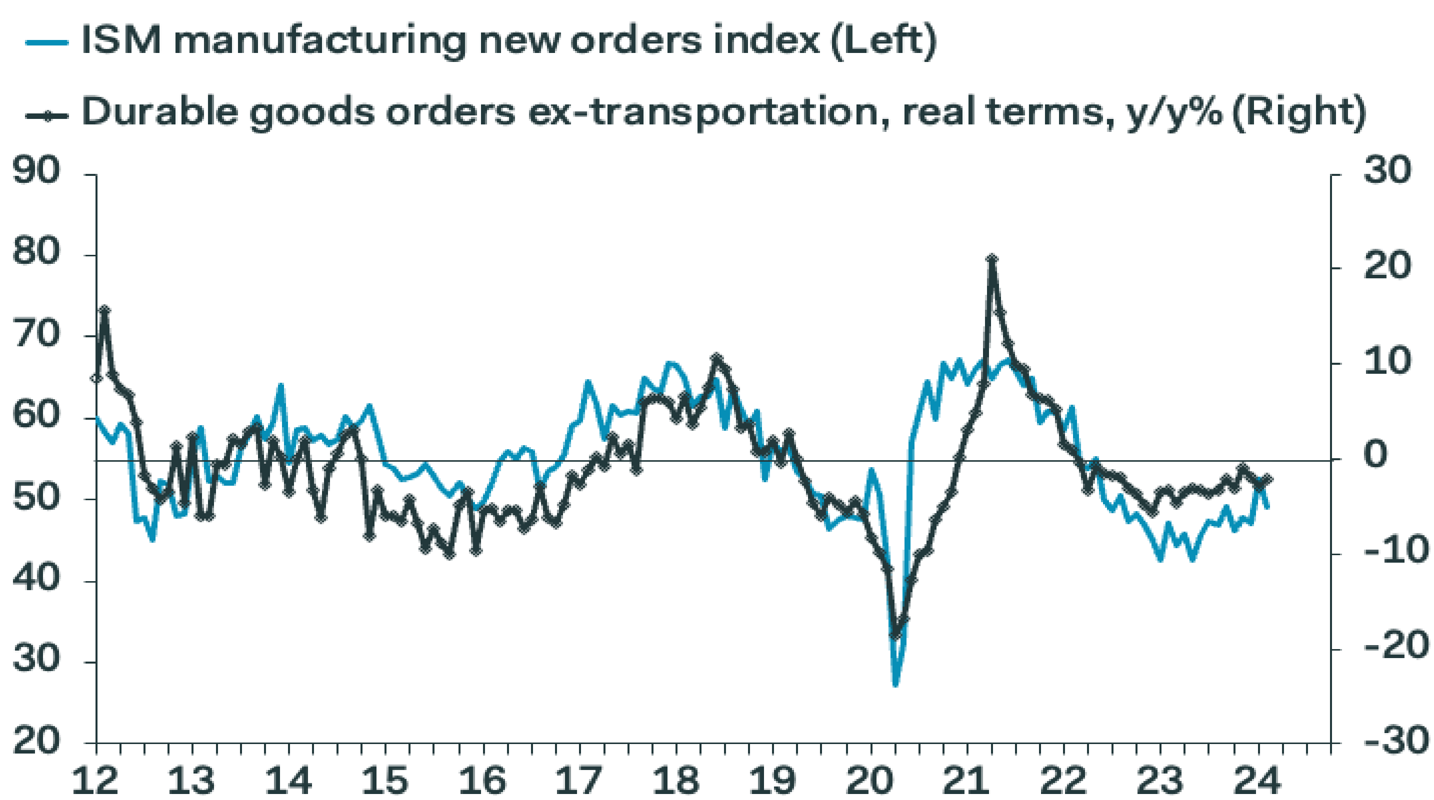
The jump in headline durable orders was driven by a 40% rebound in civilian aircraft orders, which reversed some of January's 74% plunge. Orders at Boeing, net of cancellations, recovered to 15 airplanes in February, from zero in January, but remained abnormally low. The rise in total orders also was supported by an 1.8% increase in orders of vehicles and parts, but the level only matched the 2023 average, mirroring recent weakness in production.

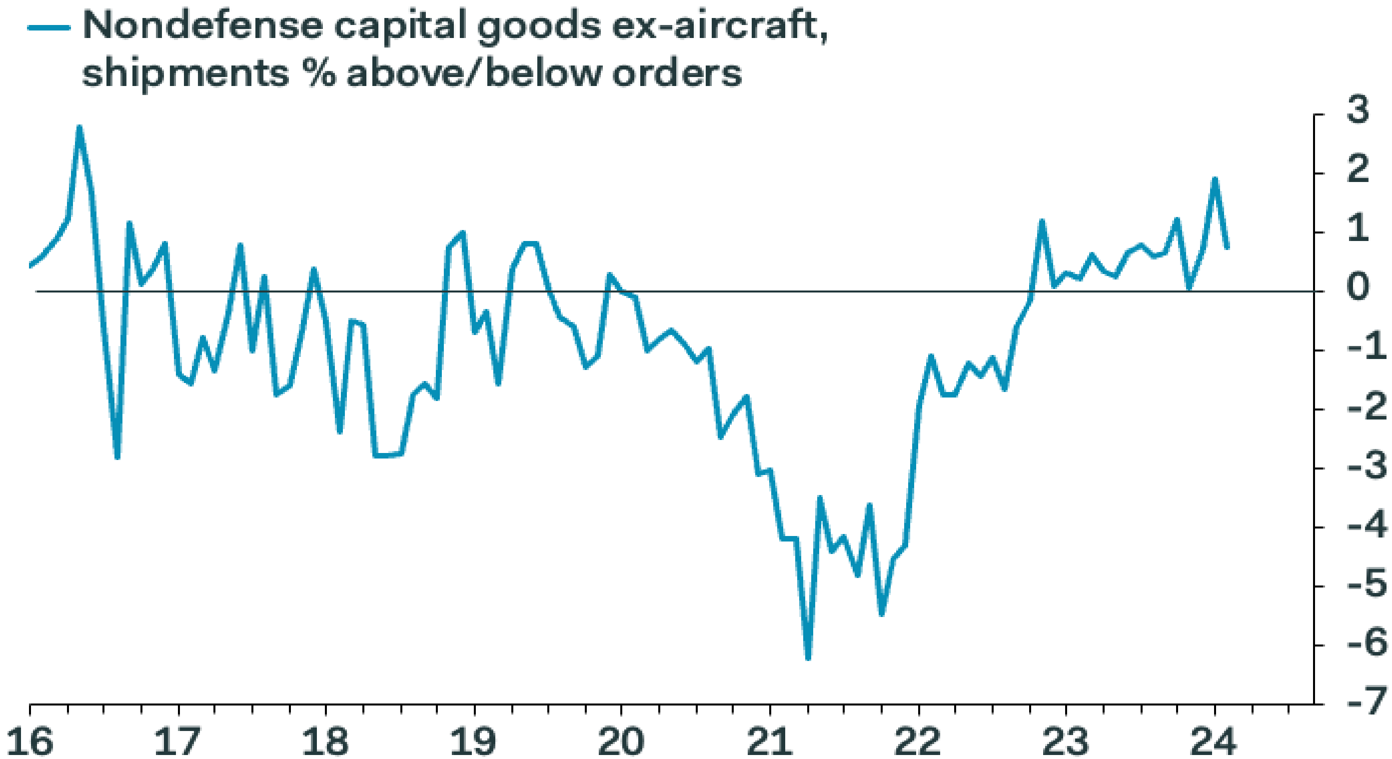
Civilian aircraft and auto orders tell us little about the evolving path of overall business investment. The only input from the durable goods report into the business equipment investment component of the GDP accounts is nondefense capital goods shipments ex-aircraft, aka core capex shipments. Markets often focus on core capital goods orders, but they rarely lead shipments, and are much noisier. Core capex shipments fell by 0.4%, reversing half of January's gain. We anticipate a further drop of about 0.5% in March, given that shipments continued to run ahead of orders in February, and the ISM manufacturing survey continues to point to weak underlying demand. This suggests that real core goods shipments are on course for a 2% quarter-on-quarter annualized drop in Q1.

That said, a rebound in heavy truck

sales in January and February, after a plunge in Q4, points to a 2½% gain in overall equipment investment in Q1, despite the likely fall in core capex shipments. But truck sales likely will flatten off over the coming quarters, revealing lingering weakness in capital goods orders. All told, then, we continue to anticipate a 1% drop in real equipment investment this year, contributing to the slowdown in GDP growth.


Nondefense capital goods orders ex-aircraft, $B (Left)
Real, 1982 prices, deflated by PPI capital goods (Right)
78
74
70
66
62
58
54
44
42
40
38
36
34
32
30
16
17
18
19
20
21
22
23
24


ISM manufacturing new orders index (Left)
Durable goods orders ex-transportation, real terms, y/y% (Right)
90
80
70
60
50
40
30
20
30
20
10
0
-10
-20
-30
12
13
14
15
16
17
18
19
20
21
22
23
24


Nondefense capital goods ex-aircraft, shipments % above/below orders
3
2
1
0
-1
-2
-3
-4
-5
-6
-7
16
17
18
19
20
21
22
23
24