

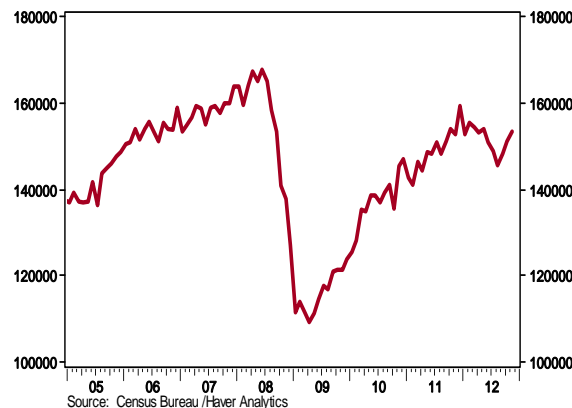
# November Durable Goods

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

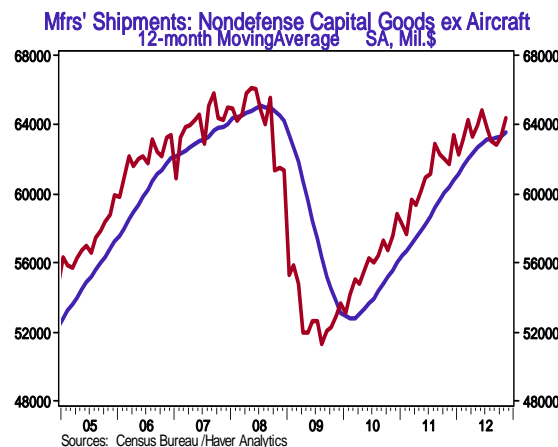
- New orders for durable goods were up 0.7% in November (+1.4% including revisions to October), beating the consensus expected gain of 0.3%. Orders excluding transportation increased 1.6% (+1.7% including revisions to October), easily beating the consensus expected decline of 0.2%. Overall new orders are up 0.8% from a year ago, while orders excluding transportation are up 0.4%.
- New orders for durable goods were up in almost every major category in November, led by motor vehicles/parts and industrial machinery. The lone downward exception was aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure was up 1.8% in November (+2.5% including revisions to October). If these shipments are unchanged in December, they will be up at a 4.8% annual rate in Q4 versus the Q3 average.
- Unfilled orders were up 0.1% in November and are up 3.3% from last year.

**Implications:** The plow horse economy continues to move forward. Orders for durable goods came in much better than expected in November as companies seem to be gaining more confidence. Although overall new orders were up only 0.7%, they were up 1.6% excluding the always volatile transportation sector. In particular, machinery orders, which fell rapidly this summer, were up 3.3% in November and have risen dramatically – at a 75.8% annual rate – in the past three months. Now, despite the summer’s weakness, machinery orders are up 1.1% from a year ago. Meanwhile, shipments of “core” capital goods, which exclude defense and aircraft, were up 1.8% in November and were revised up for last month. Core shipments usually fall in the first month of each quarter and then rebound in the last two months. That has not happened in the fourth quarter despite all the economic uncertainty that remains surrounding public policy. That uncertainty will continue in the near term as lawmakers try to hash out an agreement to avoid the “fiscal cliff.” If no deal is reached for a prolonged period, orders for durables are going to fall early in 2013 as the economy weakens, before rebounding later in 2013. If a fiscal deal is reached, we expect a continuation of the recent upward trend in orders and shipments. Monetary policy is loose, corporate profits and balance sheet cash are at record highs (earning almost zero interest), and the recovery in home building is picking up steam. All of these indicate more business investment ahead.

**Manufacturers' New Orders: Durable Goods Excl Transportation**  
 SA, Mil.\$



**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
 SA, Mil.\$



<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>Nov-12</b>	<b>Oct-12</b>	<b>Sep-12</b>	<b>3-mo % ch.</b> <b>annualized</b>	<b>6-mo % ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>New Orders for Durable Goods</b>	<b>0.7%</b>	1.1%	9.1%	52.9%	2.8%	0.8%
<b>Ex Defense</b>	<b>0.8%</b>	1.3%	8.5%	50.4%	2.0%	0.4%
<b>Ex Transportation</b>	<b>1.6%</b>	1.9%	1.7%	22.9%	-0.9%	0.4%
<b>Primary Metals</b>	<b>2.4%</b>	2.4%	3.9%	41.1%	14.5%	-0.8%
<b>Industrial Machinery</b>	<b>3.3%</b>	3.4%	7.8%	75.8%	-2.1%	1.1%
<b>Computers and Electronic Products</b>	<b>0.1%</b>	2.2%	-0.5%	7.2%	-17.3%	-1.6%
<b>Transportation Equipment</b>	<b>-1.1%</b>	-0.6%	29.7%	164.1%	12.2%	1.6%
<b>Capital Goods Orders</b>	<b>-2.6%</b>	1.5%	24.2%	126.8%	0.3%	-5.8%
<b>Capital Goods Shipments</b>	<b>1.4%</b>	0.0%	1.8%	13.8%	3.1%	6.8%
<b>Defense Shipments</b>	<b>2.4%</b>	-2.7%	5.4%	22.0%	1.0%	7.9%
<b>Non-Defense, Ex Aircraft</b>	<b>1.8%</b>	0.6%	-0.3%	8.5%	1.3%	4.3%
<b>Unfilled Orders for Durable Goods</b>	<b>0.1%</b>	0.3%	0.1%	2.1%	0.0%	3.3%

Source: Bureau of the Census