

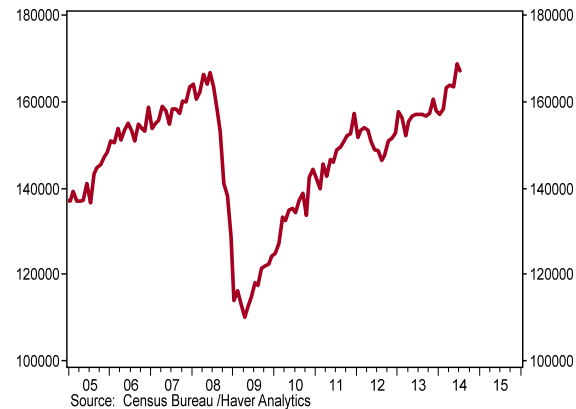
## July Durable Goods

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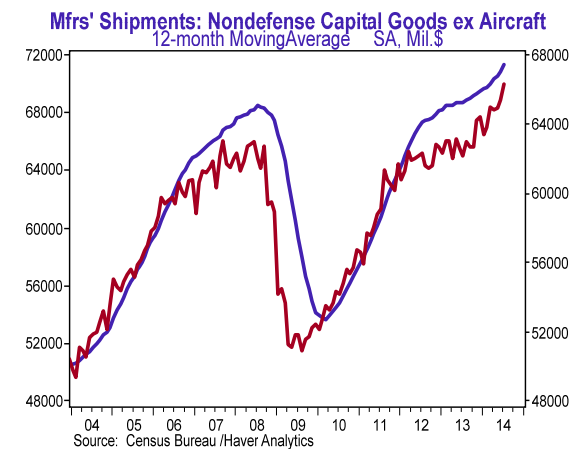
- New orders for durable goods boomed 22.6% in July (+23.8% including revisions to prior months), easily beating the consensus expected gain of 8.0%. Orders excluding transportation declined 0.8% in July, but were up 0.3% including revisions to prior months, coming in below the consensus expected 0.5% gain. Orders are up 33.8% from a year ago while orders excluding transportation are up 6.6%.
- The gain in overall orders was led by civilian aircraft and autos. The largest decline was for machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 1.5% in July (+2.7% including revisions to prior months). If unchanged in August and September, these shipments will be up at an 8.8% annual rate in Q3 versus the Q2 average.
- Unfilled orders increased 5.4% in July and are up 12.3% from last year.

**Implications:** Durable goods boomed 22.6% in July, the biggest increase on record going back to 1958. The entire gain in durable goods orders was due to the very volatile transportation sector, which rose 74.2% in July. In particular, civilian aircraft orders rose 318% as Boeing received 324 orders for new planes in July. Excluding transportation, new orders for durable goods declined 0.8% in July, but were revised up to a 3% gain in June (versus a prior estimate of 1.9%) and are up 6.6% versus a year ago. The best news today was that shipments of “core” capital goods, which exclude defense and aircraft – a good proxy for business equipment investment – rose 1.5% in July and June shipments were revised up to a 0.9% gain (versus a prior estimate of -0.3%). These shipments are now up 7.6% versus a year ago, a major acceleration from the 0.4% decline in the year ending in July 2013. Until recently, business investment had been unusually slow relative to other parts of the recovery, but it now looks like companies are finally updating their equipment and building out capacity more quickly. On the housing front; mixed news on home prices today. The FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.4% in June, and is up 5.2% from a year ago. However, the Case-Shiller index, which measures homes in 20 key metro areas around the country, declined 0.2% in June, with 13 of the 20 areas showing a decline, led by Minneapolis and Detroit. That’s the first overall decline since early 2012. Still, in the past year, the Case-Shiller index is up 8.1%, with gains led by Las Vegas, San Francisco, and Miami. Both the FHFA index and Case-Shiller show smaller price gains in the past twelve months than in the twelve months that ended in June 2013. We expect that trend to continue, with these measures generally moving up but showing smaller gains than in the recent years. In other news this morning, the Richmond Fed index, a measure of factory sentiment in the mid-Atlantic region, rose to +12 in August from +7 in July, signaling continued gains in industrial production in August.

**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>Jul-14</b>	<b>Jun-14</b>	<b>May-14</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>22.6%</b>	2.7%	-0.9%	142.6%	79.5%	33.8%
<b>Ex Defense</b>	<b>24.9%</b>	2.7%	0.2%	172.9%	80.7%	35.7%
<b>Ex Transportation</b>	<b>-0.8%</b>	3.0%	-0.1%	8.6%	13.4%	6.6%
<b>Primary Metals</b>	<b>-0.3%</b>	1.9%	2.6%	18.2%	18.3%	9.3%
<b>Industrial Machinery</b>	<b>-1.6%</b>	4.9%	-1.0%	9.2%	8.6%	8.1%
<b>Computers and Electronic Products</b>	<b>-1.2%</b>	4.0%	-1.3%	5.9%	13.7%	4.2%
<b>Transportation Equipment</b>	<b>74.2%</b>	2.1%	-2.6%	802.0%	293.5%	97.1%
<b>Capital Goods Orders</b>	<b>52.7%</b>	5.0%	-5.2%	432.4%	197.5%	70.3%
<b>Capital Goods Shipments</b>	<b>1.4%</b>	2.6%	-1.0%	12.4%	10.7%	7.2%
<b>Defense Shipments</b>	<b>1.7%</b>	-0.9%	-1.5%	-3.0%	-1.6%	1.9%
<b>Non-Defense, Ex Aircraft</b>	<b>1.5%</b>	0.9%	0.1%	10.4%	10.8%	7.6%
<b>Unfilled Orders for Durable Goods</b>	<b>5.4%</b>	1.0%	0.7%	32.1%	19.5%	12.3%

Source: Bureau of the Census