

November Durable Goods

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- New orders for durable goods declined 4.6% in November (-4.4% including revisions to prior months), beating the consensus expected decline of 4.8%. Orders excluding transportation increased 0.5% in November (+0.6% including revisions to prior months), easily beating the consensus expected +0.2%. Orders are down 1.9% from a year ago while orders excluding transportation are up 1.8%.
- The decline in November orders was almost entirely due to aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.2% in November. If unchanged in December, these shipments will be up at a 1.0% annualized rate in the fourth quarter.
- Unfilled orders declined 0.2% in November and are down 1.2% from last year.

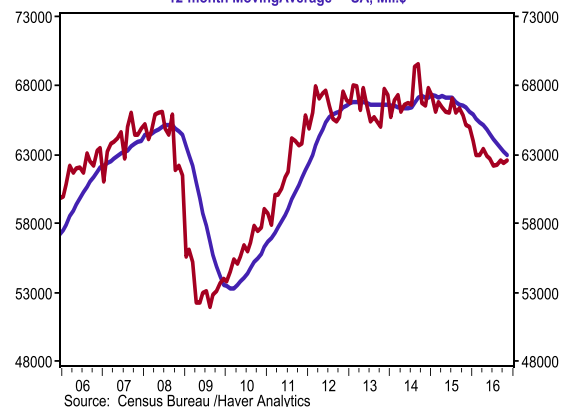
Implications: Don't let the headline number fool you, durable goods producers had plenty to be thankful for in November. After leading orders higher in October, the always volatile aircraft component of durable goods orders cooled in November. That came as no surprise to those who follow these orders, but what did come as a surprise was how well orders did outside the transportation sector, rising 0.5% in November, well above the consensus expected 0.2%. And these orders excluding transportation are picking up pace, up 1.8% in the past year but a faster 4.5% annualized rate in the past six months and a 5.9% annualized rate over the past three months (this is the fastest three-month pace going back more than two years). "Core" non-transportation orders were led higher by primary metals, but there was strength seen in most major categories. This may be, in part, a sign of improvement in the energy sector, which had been pulling down machinery investment since oil prices started declining in mid-2014. Shipments of "core" capital goods - non-defense, excluding aircraft - rose 0.2% in November, and if unchanged in December will be up at a 1.0% annual rate in the fourth quarter. This series is important for GDP and, while modest, is finally showing life. Another plus in the report was a 0.9% increase in new orders for "core" capital goods, now up in five of the last six months. In employment news this morning, new claims for unemployment insurance rose 21,000 last week to 275,000. Continuing claims increased 15,000 to 2.036 million. It's still early, but plugging these figures into our models suggests December payrolls will continue the trend of steady growth in the 150,000 to 200,000 range. As a whole, today's reports were solid and show a healthy economy as we near a close to 2016 and provide firm footing for a new year, a new President, and his new pro-growth policies.

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



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

Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
 12-month Moving Average SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-16	Oct-16	Sep-16	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-4.6%	4.8%	0.3%	1.2%	-0.6%	-1.9%
Ex Defense	-6.6%	5.1%	1.3%	-2.5%	-5.2%	-2.1%
Ex Transportation	0.5%	0.9%	0.1%	5.9%	4.5%	1.8%
Primary Metals	2.3%	0.7%	0.8%	16.0%	8.2%	12.0%
Industrial Machinery	1.3%	-0.4%	0.7%	6.5%	5.8%	-4.1%
Computers and Electronic Products	0.4%	0.1%	-1.4%	-3.8%	0.2%	0.8%
Transportation Equipment	-13.2%	12.3%	0.7%	-7.3%	-9.5%	-8.3%
Capital Goods Orders	-13.6%	12.2%	2.0%	-4.3%	-8.2%	-9.3%
Capital Goods Shipments	-0.7%	-0.6%	2.0%	3.2%	-2.9%	-5.9%
Defense Shipments	2.9%	3.2%	0.0%	27.3%	23.3%	10.8%
Non-Defense, Ex Aircraft	0.2%	-0.3%	0.5%	1.9%	-1.2%	-4.0%
Unfilled Orders for Durable Goods	-0.2%	0.8%	-0.2%	1.3%	-1.9%	-1.2%

Source: Bureau of the Census

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