

January Durable Goods

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

- New orders for durable goods rose 1.8% in January (+1.4% including revisions to December) versus a consensus expected 1.6%. Orders excluding transportation declined 0.2% in January (+0.2% including revisions to December), coming in below the consensus expected rise of 0.5%. Orders are down 0.6% from a year ago while orders excluding transportation are up 2.4%.
- The rise in orders in January was entirely due to aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.6% in January (unchanged including revisions to December). If unchanged in February and March, these shipments will be up at a 2.8% annualized rate in Q1 versus the Q4 average.
- Unfilled orders declined 0.4% in January and are down 1.9% from last year.

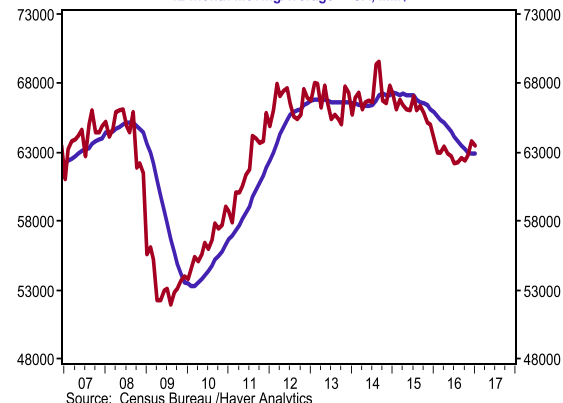
Implications: New orders for durable goods rose in January following two months of declines. The rise in January was due to aircraft orders, but strip out the volatile transportation sector and durable goods orders declined a slight 0.2%. Non-transportation orders were led lower in January by a decline in computers and electronic products as well as primary metals, which more than offset increases for fabricated metal products and machinery. Thankfully, orders outside the transportation sector are still trending upward, including a 2.4% increase versus a year ago and a gain at a 7.5% annual rate in the past three months. The rise in machinery orders – up in each of the last five months - may be, in part, a sign of continued improvements 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 – declined 0.6% in January, but were revised up for December. If unchanged in February and March, these shipments will be up at a 2.8% annual rate in Q1 versus the Q4 average. The second estimate of Q4 GDP is released tomorrow, and we expect to see real GDP growth revised up to a 2.2% annual rate from the initial estimate of 1.9%. Durable goods orders are volatile from month-to-month, but a focus on non-transportation orders shows steady growth that should continue in the months ahead. On the housing front, pending home sales, which are contracts on existing homes, declined 2.8% in January, suggesting a decline in closings on existing homes in February.

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 MovingAverage SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Jan-17	Dec-16	Nov-16	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	1.8%	-0.8%	-4.7%	-14.5%	3.0%	-0.6%
<i>Ex Defense</i>	1.5%	1.2%	-6.7%	-15.5%	2.8%	-0.9%
<i>Ex Transportation</i>	-0.2%	0.9%	1.1%	7.5%	6.3%	2.4%
<i>Primary Metals</i>	-1.6%	-0.8%	3.1%	2.4%	5.4%	1.3%
<i>Industrial Machinery</i>	0.5%	1.7%	2.5%	20.3%	11.9%	1.3%
<i>Computers and Electronic Products</i>	-1.6%	3.2%	1.0%	10.9%	2.3%	3.6%
<i>Transportation Equipment</i>	6.0%	-4.4%	-14.7%	-44.0%	-3.1%	-6.1%
Capital Goods Orders	4.2%	-3.0%	-13.9%	-42.7%	-0.5%	-5.6%
Capital Goods Shipments	-0.3%	1.9%	-0.4%	5.2%	2.1%	-0.2%
<i>Defense Shipments</i>	0.2%	-0.8%	3.3%	11.5%	7.4%	12.9%
<i>Non-Defense, Ex Aircraft</i>	-0.6%	1.6%	0.7%	6.9%	4.0%	-0.9%
Unfilled Orders for Durable Goods	-0.4%	-0.7%	-0.2%	-5.2%	-1.9%	-1.9%

Source: Bureau of the Census