

May Durable Goods

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- New orders for durable goods declined 1.1% in May (-1.2% including revisions to February), falling a little short of the consensus expected -0.6%. Orders excluding transportation rose 0.1% in May, missing the consensus expected rise of 0.4%. Orders are up 2.7% from a year ago while orders excluding transportation are up 5.5%.
- The decline in orders in May was led by aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.2% in May. If unchanged in June, these shipments will be up at a 1.9% annual rate in Q2 vs the Q1 average.
- Unfilled orders declined 0.2% in May and are down 1.6% from last year.

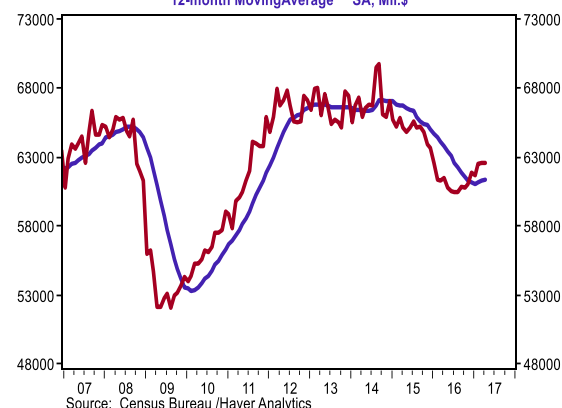
Implications: Nothing to get too excited about, either way. After healthy gains in the first quarter, orders for durable goods declined for the second straight month in May, falling by the most in six months, showing business investment will not be a key driver of economic growth in Q2. Orders for durable goods fell 1.1% in May after falling a revised 0.9% decline in April. Aircraft orders, both commercial and for the defense sector, led the decline in May. Strip out the typically volatile transportation sector and durable goods orders rose 0.1%, although that’s still short of the consensus expected gain of 0.4%. That smaller than expected gain in non-transportation orders was led by machinery, which may come under pressure in the next few months given the recent decline in energy prices. Non-transportation orders have been steadily trending higher since mid-2016 – up 5.5% in the past year. Other disappointing news today was that “core” shipments, which exclude defense and aircraft, and are important for calculating the equipment component of GDP, declined 0.2% in May. Plugging this into our models suggests “real” (inflation-adjusted) equipment spending will be up at about a 2% annual rate in Q2. It now looks like companies may be waiting for Washington to make progress on tax reform and other issues, before making any significant longer-term decisions. In the meantime, economic growth continues to plow ahead at a moderate pace.

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>	May-17	Apr-17	Mar-17	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.1%	-0.9%	2.4%	1.3%	4.6%	2.7%
Ex Defense	-0.6%	-0.9%	1.1%	-1.4%	9.4%	2.1%
Ex Transportation	0.1%	-0.5%	0.9%	2.1%	3.8%	5.5%
Primary Metals	0.3%	-0.8%	0.8%	1.3%	8.3%	10.2%
Industrial Machinery	0.6%	-0.5%	0.7%	3.3%	7.0%	9.5%
Computers and Electronic Products	-0.2%	1.0%	-2.3%	-5.8%	-0.5%	-0.1%
Transportation Equipment	-3.4%	-1.8%	5.4%	-0.4%	6.4%	-2.5%
Capital Goods Orders	-3.1%	-2.0%	4.7%	-2.3%	6.2%	-1.6%
Capital Goods Shipments	0.4%	-0.1%	0.1%	1.7%	5.9%	1.9%
Defense Shipments	0.3%	1.5%	-3.9%	-8.4%	-0.3%	12.6%
Non-Defense, Ex Aircraft	-0.2%	0.1%	0.2%	0.2%	4.9%	2.8%
Unfilled Orders for Durable Goods	-0.2%	0.2%	0.3%	1.1%	-1.3%	-1.6%

Source: Bureau of the Census