

# October Durable Goods

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- New orders for durable goods declined 1.2% in October (-1.0% including revisions to prior months), coming in below the consensus expected rise of 0.3%. Orders excluding transportation rose 0.4% in October (+0.8% including revisions to prior months), versus a consensus expected 0.5%. Orders are up 1.0% from a year ago while orders excluding transportation are up 7.4%.
- The decline in orders in October was led by aircraft and fabricated metal products.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.4% in October. If unchanged in November and December, these shipments will be up at a 6.5% annual rate in Q4 vs the Q3 average.
- Unfilled orders were unchanged in October, but are up 0.5% from last year.

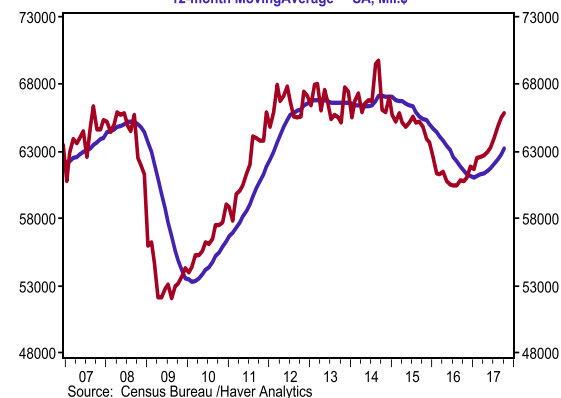
**Implications:** Orders for durable goods fell short of expectations in October, declining 1.2%, but the declines were almost entirely limited to the typically volatile aircraft sector. New orders excluding transportation - a more reliable measure of the health of durable goods – rose 0.4% in October, continuing the steady rise higher that began in mid-2016 (see top chart to the right). Looking at the details of non-transportation orders shows primary metals and machinery led gains that extended to every major non-transportation category except fabricated metal products. Machinery orders are up 9.3% in the past year, a significant pickup from the 7.8% decline for the twelve months ending October of 2016 and the tepid 1.4% rise for the twelve months ending in October of 2015. If tax cuts come to fruition – particularly, a shift to full expensing for business investment instead of depreciation over several years – we expect machinery orders to pick up further as companies increase investment. The best news in today’s report was for shipments of non-defense capital goods ex-aircraft, or “core” shipments – the measure most important for calculating the business equipment portion of GDP growth. Revisions to prior months boosts the Q3 rise in “core” shipments to 11.7% at an annual rate, up from an initial estimate of 10.6%. Meanwhile, these shipments rose 0.4% in October. If unchanged in November and December, “core” shipments will be up at a 6.5% annual rate in Q4 vs the Q3 average, a fifth consecutive quarter of growth. In part, this reflects the fact that energy prices have been more stable since the huge decline in late 2014. However, it also likely reflects the willingness of businesses to invest more aggressively for efficiency purposes as the labor market gets tighter. As a whole, durable goods orders continue to show signs of an economy that is picking up pace. In employment news this morning, new claims for jobless benefits fell 13,000 last week to 239,000. Meanwhile, continuing claims rose 36,000 to 1.90 million. Look for another solid month of job growth in November.

**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>	Oct-17	Sep-17	Aug-17	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>-1.2%</b>	2.2%	2.1%	12.8%	4.4%	1.0%
<i>Ex Defense</i>	<b>-0.8%</b>	2.4%	2.6%	18.2%	5.7%	1.3%
<i>Ex Transportation</i>	<b>0.4%</b>	1.1%	0.8%	9.8%	8.2%	7.4%
<i>Primary Metals</i>	<b>1.3%</b>	-0.5%	1.3%	8.4%	6.6%	11.6%
<i>Industrial Machinery</i>	<b>0.6%</b>	0.4%	0.0%	4.0%	8.8%	9.3%
<i>Computers and Electronic Products</i>	<b>0.4%</b>	3.0%	2.1%	23.9%	15.5%	8.3%
<i>Transportation Equipment</i>	<b>-4.3%</b>	4.4%	4.7%	19.4%	-2.8%	-10.1%
<b>Capital Goods Orders</b>	<b>-5.1%</b>	6.1%	2.5%	13.4%	5.4%	-7.4%
<b>Capital Goods Shipments</b>	<b>-1.3%</b>	2.4%	-0.7%	1.5%	8.0%	5.9%
<i>Defense Shipments</i>	<b>2.4%</b>	1.7%	1.1%	23.2%	13.2%	9.0%
<i>Non-Defense, Ex Aircraft</i>	<b>0.4%</b>	1.2%	1.3%	12.0%	10.0%	8.3%
<b>Unfilled Orders for Durable Goods</b>	<b>0.0%</b>	0.2%	0.0%	0.8%	2.2%	0.5%

Source: Bureau of the Census