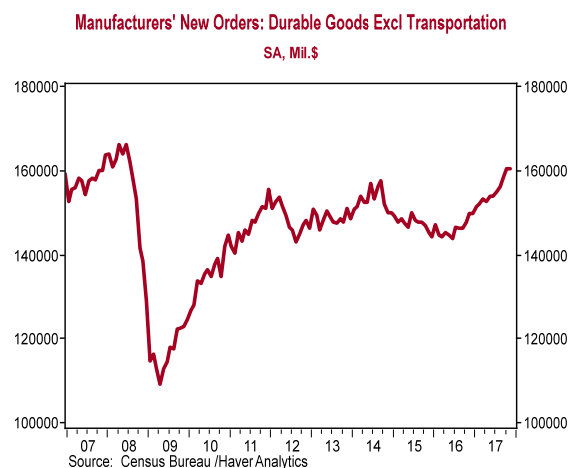


## November Durable Goods

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

- New orders for durable goods rose 1.3% in November (+1.1% including revisions to prior months), coming in below the consensus expected rise of 2.0%. Orders excluding transportation declined 0.1% in November (+2.3% including revisions to prior months), versus a consensus expected rise of 0.5%. Orders are up 8.2% from a year ago while orders excluding transportation are up 7.0%.
- The rise in orders in November was led by commercial aircraft and autos.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.3% in November. If unchanged in December, these shipments will be up at a 11.7% annual rate in Q4 vs the Q3 average.
- Unfilled orders rose 0.1% in November, and are up 0.9% from last year.

**Implications:** Orders for durable goods showed healthy growth in November, rising 1.3%, while significant upward revisions to orders outside the transportation sector in prior months signal an economy moving faster than a Plow Horse. New orders excluding transportation – a more stable measure of the health of durable goods – declined 0.1% in November, but rose 2.3% including upward revisions to September and October. In other words, while today’s reading missed the target, orders growth in recent months has been even better than expected, reflecting an acceleration in growth. For example, non-transportation orders are up at a 10.5% annual rate over the past three months compared to a 7.0% increase in the past year. The details of non-transportation orders in November show mixed results. Orders increased for primary metals and electrical equipment, while machinery, fabricated metal products, and computer & electronic products had modest declines. With tax reform signed into law this morning – including a shift to full expensing for business investment instead of depreciation over several years – we expect orders (particularly machinery orders) to pick up 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. These shipments increased 0.3% in November and, if unchanged in December, will be up at an 11.7% annual rate in Q4 vs the Q3 average, a second consecutive quarter of double-digit growth. This reflects the willingness of businesses to invest more aggressively for efficiency purposes as the labor market gets tighter, and a positive outlook for companies headed into 2018. As a whole, durable goods orders continue to show signs of an economy that is picking up pace, and plenty of reason for companies to be merry heading into the Christmas weekend!



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-17	Oct-17	Sep-17	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>1.3%</b>	-0.4%	2.4%	13.7%	9.2%	8.2%
<i>Ex Defense</i>	1.0%	0.0%	2.5%	14.8%	8.4%	10.3%
<i>Ex Transportation</i>	-0.1%	1.3%	1.3%	10.5%	8.6%	7.0%
<i>Primary Metals</i>	0.8%	2.1%	-0.5%	10.1%	10.3%	10.0%
<i>Industrial Machinery</i>	-1.1%	2.6%	0.8%	9.5%	6.1%	8.8%
<i>Computers and Electronic Products</i>	-0.3%	1.8%	3.2%	20.1%	19.2%	8.8%
<i>Transportation Equipment</i>	4.2%	-3.9%	4.7%	20.6%	10.4%	10.7%
<b>Capital Goods Orders</b>	<b>2.8%</b>	-3.8%	6.5%	23.2%	17.4%	14.4%
<b>Capital Goods Shipments</b>	<b>2.0%</b>	-0.6%	2.7%	17.5%	12.5%	9.8%
<i>Defense Shipments</i>	1.4%	2.5%	2.6%	28.9%	17.1%	8.3%
<i>Non-Defense, Ex Aircraft</i>	0.3%	1.3%	1.3%	12.2%	12.2%	9.3%
<b>Unfilled Orders for Durable Goods</b>	<b>0.1%</b>	0.0%	0.3%	1.7%	2.8%	0.9%

Source: Bureau of the Census