

June Durable Goods

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

- New orders for durable goods rose 6.5% in June (+7.2% including revisions to May), easily beating the consensus expected gain of 3.9%. Orders excluding transportation rose 0.2% in June (+0.5% including revisions to May), versus a consensus expected rise of 0.4%. Orders are up 16.1% from a year ago while orders excluding transportation are up 6.8%.
- The rise in orders in June was led by aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.2% in June and rose at a 4.2% annual rate in Q2 vs the Q1 average.
- Unfilled orders rose 1.3% in June and are up 0.7% from last year.

Implications: Durable goods orders grew at the fastest pace in nearly three years in June, as Boeing had a surge in orders for new commercial aircraft. Still, take out orders from the consistently volatile transportation sector, and orders rose 0.2% in June. That was below what the consensus was expecting but upward revisions to May, when added to the June gain, shows ex-transportation orders up 0.5%. In the past year, orders ex-transportation are up 6.8%, the largest gain since 2012. The best news in today’s report was for shipments of non-defense capital goods ex-aircraft, or “core” shipments. These rose 0.2% in June and revised upward for May. As a result, these orders were up at a 4.2% annual rate in Q2 versus the Q1 average, representing the third consecutive quarter of healthy growth following near constant declines from late 2014 to late 2016. 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. It looks like companies may be tired of waiting for Washington to make progress on tax reform and other issues, and starting to commit to significant longer-term decisions. In employment news this morning, initial jobless claims rose 10,000 last week to 244,000, which is also the four-week moving average. Meanwhile continuing claims declined 13,000 to 1.96 million. It’s still early – we will update our models next week as we get more claims data plus the ADP report – but plugging today’s figures into our models suggests payrolls are up about 175,000 in July.

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>	Jun-17	May-17	Apr-17	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	6.5%	-0.1%	-0.8%	23.8%	20.5%	16.1%
Ex Defense	6.7%	0.4%	-0.8%	27.6%	24.5%	15.8%
Ex Transportation	0.2%	0.6%	-0.4%	1.7%	5.4%	6.8%
Primary Metals	0.1%	-0.1%	0.2%	1.0%	10.8%	11.7%
Industrial Machinery	0.2%	2.3%	-0.3%	9.2%	10.3%	10.5%
Computers and Electronic Products	-0.3%	-0.3%	1.0%	1.8%	-3.5%	2.3%
Transportation Equipment	19.0%	-1.6%	-1.6%	76.3%	54.3%	36.1%
Capital Goods Orders	19.0%	-0.9%	-1.9%	78.8%	52.5%	40.4%
Capital Goods Shipments	0.0%	1.0%	0.0%	4.1%	3.2%	3.8%
Defense Shipments	-2.2%	0.5%	1.5%	-0.9%	-0.8%	5.9%
Non-Defense, Ex Aircraft	0.2%	0.4%	0.2%	2.8%	3.8%	4.0%
Unfilled Orders for Durable Goods	1.3%	-0.1%	0.2%	5.5%	2.3%	0.7%

Source: Bureau of the Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.