

August Durable Goods

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- New orders for durable goods rose 1.7% in August, beating the consensus expected rise of 1.0%. Orders excluding transportation rose 0.2% in August (+0.4% including revisions to prior months), matching consensus expectations. Orders are up 5.1% from a year ago while orders excluding transportation are up 6.1%.
- The rise in orders in August was led by commercial aircraft, motor vehicles, and computers & electronic products.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.7% in August. If unchanged in September, these shipments will be up at a 8.5% annual rate in Q3 vs the Q2 average.
- Unfilled orders were unchanged in August, but are up 0.8% from last year.

Implications: Another healthy report from the durable goods sector in August, as nearly all major categories showed rising orders. Stripping out the transportation sector - which has been exceptionally volatile since the Paris Air Show resulted in a surge in June aircraft orders – shows orders increased 0.2% in August and are up a very healthy 6.1% in the past year. This ex-transportation figure is a more reliable measure of the health of durables orders and continues the steady rise higher that began in mid-2016 (see top chart to the right). To put the rise in perspective, orders excluding transportation were down 1.0% for the 12 months ending August 2016, and down 5.3% for the 12 months ending August of 2015. Looking at the details of non-transportation orders shows gains for nearly every category. Computers and electronic products led the way, rising 1.3% in August, while primary metals and machinery also ticked higher. 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 rose 0.7% in August and, if unchanged in September, will be up at an 8.5% annual rate in Q3 vs the Q2 average. That would represent the fastest quarterly growth going back to late 2014, and the fourth consecutive quarter of growing shipments (following four quarters of declines that began in late 2015). 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. Recent regional Federal Reserve surveys of manufacturing businesses have been coming in above expectations, with measures related to capital expenditures clearly showing that businesses are planning to increase purchases in the months ahead. In housing news this morning, pending home sales, which are contracts on existing homes, fell 2.6% in August after declining 0.8% in July. These figures suggest a small decline in existing home sales (which are counted at closing) in September, while storm impacts are also likely to push sales down in the short term. Look for a rebound in existing homes sales in the fourth quarter of this year.

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>	Aug-17	Jul-17	Jun-17	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	1.7%	-6.8%	6.4%	3.2%	4.7%	5.1%
Ex Defense	2.2%	-7.9%	6.4%	0.7%	2.3%	5.4%
Ex Transportation	0.2%	0.8%	0.0%	3.9%	4.6%	6.1%
Primary Metals	0.3%	0.5%	0.4%	5.0%	4.4%	13.1%
Industrial Machinery	0.3%	0.0%	0.5%	2.8%	7.5%	6.9%
Computers and Electronic Products	1.3%	2.4%	-0.2%	14.3%	3.6%	3.8%
Transportation Equipment	4.9%	-19.6%	19.1%	1.8%	5.1%	3.2%
Capital Goods Orders	2.6%	-16.1%	19.4%	12.0%	9.7%	7.2%
Capital Goods Shipments	-1.2%	2.2%	0.4%	5.7%	5.0%	6.3%
Defense Shipments	0.8%	3.2%	-2.7%	4.9%	-1.6%	8.7%
Non-Defense, Ex Aircraft	0.7%	1.1%	0.6%	9.9%	6.4%	6.5%
Unfilled Orders for Durable Goods	0.0%	-0.3%	1.3%	3.9%	2.7%	0.8%

Source: Bureau of the Census

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