

November Durable Goods

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- New orders for durable goods rose 0.8% in November, below the consensus expected increase of 1.6%. Orders excluding transportation fell 0.3% in November, versus a consensus expected gain of 0.3%. Orders are up 5.3% from a year ago while orders excluding transportation are up 4.9%.
- The increase in orders in November was led by both defense and civilian aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure fell 0.1% in November. If unchanged in December these shipments will be up at a 1.9% annualized rate in Q4 versus the Q3 average.
- Unfilled orders fell 0.1% in November but are up 4.6% in the past year.

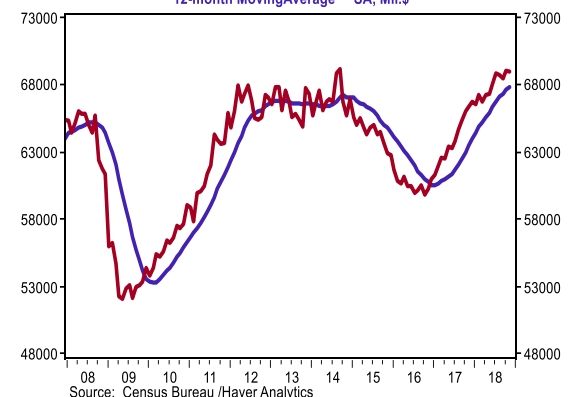
Implications: New orders for durable goods rebounded in November, as the volatile transportation sector more than offset weaker data elsewhere. The biggest source of strength in today’s report came from aircraft, with defense orders rising 31.5% and civilian orders up 6.7%. Stripping out the typically volatile transportation sector – which rose 2.9% in November - shows durable goods orders fell a modest 0.3%. A closer look at the details shows that declines in industrial machinery and electrical equipment swamped increases in primary and fabricated metals. But more important than month-to-month changes, the trend continues to show a healthy pace of activity, with total orders up 5.3% in the past year and orders excluding transportation up 4.9%. The most anticipated data point in today’s release was shipments of non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), which disappointingly fell 0.1% in November. However, a large upward revision to the October reading actually points to a stronger pace for investment in Q4 as a whole. If these orders were to remain unchanged next month, shipments would be up at a 1.9% annualized rate in Q4 versus the Q3 average. Further - barring a large decline in December - 2018 looks set to post the fastest full-year growth rate for this series in six years, demonstrating that the promised benefits to business investment from the Tax Cuts and Jobs Act have in fact materialized. Healthy growth in durable goods orders, a strong labor market, and the economy on track for the fastest annual growth in more than a decade begs the question of why the financial media are still so focused on doom and gloom. As far as the data show, companies (and consumers) don’t seem nearly as worried as the pouting pundits, and political posturing has little chance of denting the strong growth track that entrepreneurs and innovators have set us on. In other recent news, the Philly Fed Index, a measure of East Coast factory sentiment, fell to +9.4 in December from +12.9 in November. Despite the decline, the index remains well in positive territory, signaling continued optimism from manufacturers in that region.

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>	Nov-18	Oct-18	Sep-18	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.8%	-4.3%	0.0%	-13.7%	1.2%	5.3%
Ex Defense	-0.1%	-1.4%	-1.3%	-10.6%	1.1%	4.0%
Ex Transportation	-0.3%	0.4%	-0.5%	-2.0%	0.4%	4.9%
Primary Metals	1.0%	-2.7%	-1.3%	-11.2%	-3.5%	9.1%
Industrial Machinery	-1.7%	0.2%	0.2%	-5.3%	-1.0%	7.2%
Computers and Electronic Products	0.0%	2.9%	0.6%	15.1%	9.3%	6.4%
Transportation Equipment	2.9%	-12.3%	0.9%	-31.3%	2.7%	6.1%
Capital Goods Orders	2.7%	-5.9%	-5.4%	-30.1%	-2.4%	4.3%
Capital Goods Shipments	1.9%	-1.3%	2.2%	11.4%	7.8%	6.2%
Defense Shipments	-1.7%	2.4%	1.1%	7.3%	5.6%	8.0%
Non-Defense, Ex Aircraft	-0.1%	0.8%	-0.3%	1.4%	4.9%	4.0%
Unfilled Orders for Durable Goods	-0.1%	-0.2%	0.7%	1.7%	3.6%	4.6%

Source: Bureau of the Census