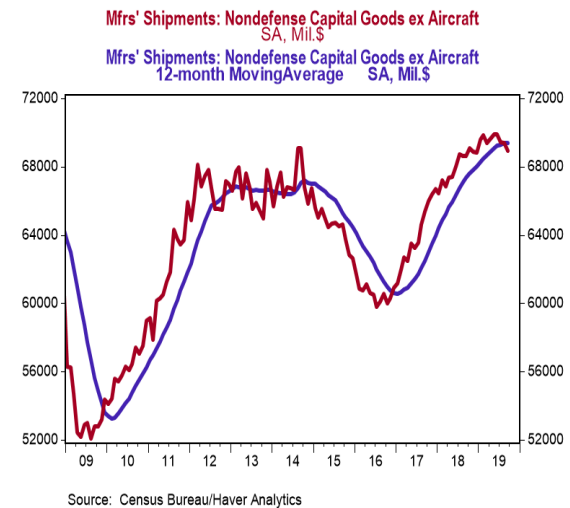
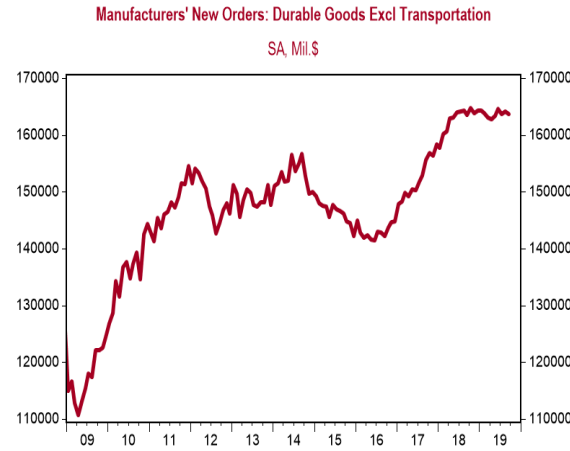


September Durable Goods

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- New orders for durable goods fell 1.1% in September (-1.0% including revisions to prior months), slightly lagging the consensus expected decline of 0.7%. Orders excluding transportation declined 0.3% in September (-0.5% including revisions), versus the consensus expected -0.2%. Orders are down 5.4% from a year ago, while orders excluding transportation are unchanged.
- The decline in orders in September 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 declined 0.7% in September and was down at a 3.3% annualized rate in Q3 versus the Q2 average.
- Unfilled orders were unchanged in September, but are down 1.8% in the past year.

Implications: Durable goods orders declined in September for the first time in three months, but with healthy gains shown in July and August, orders still rose in the third quarter at the fastest quarterly pace in a year. Keep that in mind when you see doom and gloom headlines as happen so frequently when monthly data comes in below consensus estimates. Over the past three months, durable goods orders are up at a healthy 4.9% annualized rate, although they remain down 5.4% in the past year. The consensus expected a decline in September due to lower commercial airplane orders, which proved true with civilian aircraft orders down 11.8% from August. While this was partially offset by a modest pickup in orders for defense aircraft, a dip in orders for autos pulled orders from the typically-volatile transportation sector down 2.7%. Outside the transportation category, orders fell a more modest 0.3%, as declining orders for computers and electronic products more than offset gains in primary metals and industrial machinery. Arguably the most important number in today's report – “core” shipments of non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth) – fell 0.7% in September, and was down at a 3.3% annualized rate in Q3 vs. the Q2 average. We get our first look at third quarter GDP growth next Wednesday, and [we expect it will show continued growth, but at a slightly slower pace](#) than the 2.0% annualized growth we saw in the second quarter. We expect GDP growth (and durable goods orders) will move higher in the fourth quarter, even if the trade tiff sees little progress. The Fed will likely take today's report as evidence that they should cut rates one more time at next week's meetings, and that is exactly what we think they will do. We don't think a rate cut is needed (or warranted), but the Fed is tilted towards action, even if the data suggest a pause. In employment news this mornings, initial jobless claims fell 6,000 last week to 212,000, while continuing claims declined 1,000 to 1.682 million. Plugging this data into our models suggests nonfarm payrolls are continuing to grow at a healthy pace in October, although the GM strike will temporarily depress the headline payroll number.



Durable Goods <i>All Data Seasonally Adjusted</i>	Sep-19	Aug-19	Jul-19	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.1%	0.3%	2.1%	4.9%	-4.4%	-5.4%
Ex Defense	-1.2%	-0.9%	1.4%	-2.9%	-4.6%	-2.8%
Ex Transportation	-0.3%	0.3%	-0.5%	-2.1%	0.8%	0.0%
Primary Metals	0.3%	2.1%	-0.8%	6.6%	-2.6%	-5.5%
Industrial Machinery	0.2%	-0.3%	-1.0%	-4.4%	1.2%	-1.5%
Computers and Electronic Products	-0.9%	-0.4%	-0.2%	-6.0%	-6.0%	-0.4%
Transportation Equipment	-2.7%	0.2%	7.3%	20.2%	-13.4%	-14.3%
Capital Goods Orders	-3.1%	-0.4%	6.4%	11.3%	-14.9%	-9.8%
Capital Goods Shipments	0.1%	-0.1%	-2.9%	-11.0%	-8.1%	-2.7%
Defense Shipments	1.4%	0.6%	-2.6%	-2.3%	4.9%	8.0%
Non-Defense, Ex Aircraft	-0.7%	0.0%	-0.7%	-5.5%	-1.3%	1.1%
Unfilled Orders for Durable Goods	0.0%	0.2%	0.1%	0.9%	-2.8%	-1.8%

Source: Bureau of the Census