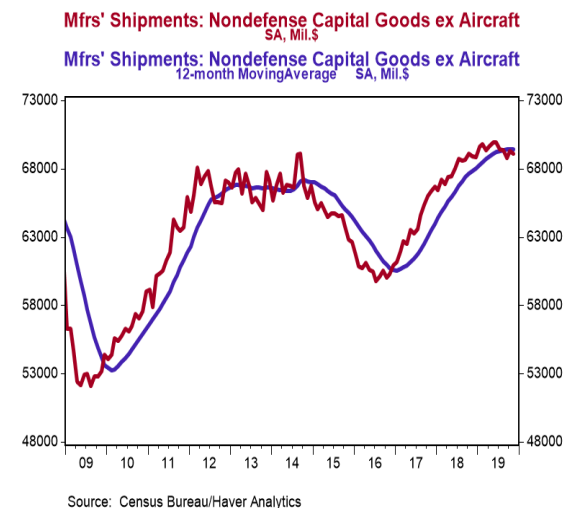
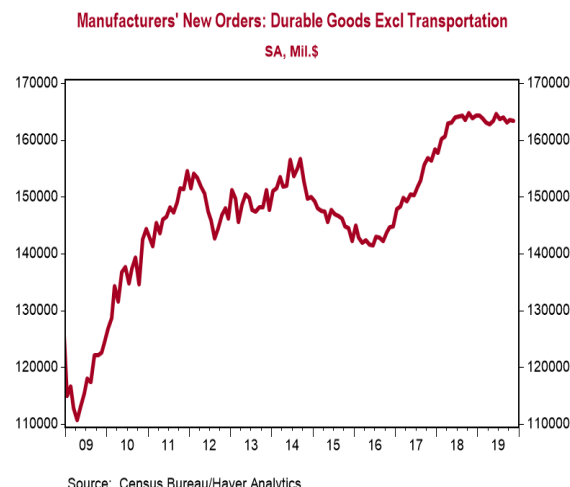


November Durable Goods

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- New orders for durable goods declined 2.0% in November (-2.3% including revisions to prior months), falling well short of the consensus expected gain of 1.5%. Orders excluding transportation were unchanged in November (-0.2% including revisions), versus the consensus expected rise of 0.2%. Orders are down 3.7% from a year ago, while orders excluding transportation are down 0.3%.
- The decline in orders in November was led by defense aircraft and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.3% in November. If unchanged in December, these shipments will be down at a 0.2% annualized rate in Q4 versus the Q3 average.
- Unfilled orders declined 0.4% in November and are down 1.9% in the past year.

Implications: The headline number from today’s durable goods report looks like a lump of coal, as orders declined 2.0%, falling well short of even the most pessimistic estimate from any forecasting group. That said, the dip was due to the volatile aircraft sector, particularly defense aircraft; excluding transportation, new orders were unchanged in November. Strip out defense, and new orders for durable goods rose 0.8% in November. Outside of transportation, a pickup in orders for electrical equipment, computers, and fabricated metal products were offset by an outsized decline in orders for machinery. One of the most important pieces of data from today’s report, shipments of “core” non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), declined 0.3% in November and is down in four of the last five months. If this measure remains unchanged in December, shipments will be down at a 0.2% annualized rate in Q4 versus the Q3 average. While shipments for these orders were down on the month, new orders rose 0.1% in November following a 1.1% increase in October, suggesting shipments will not continue to decline. We expect the rate of GDP growth to move higher in the fourth quarter, especially if the weight on growth from weak business investment spending abates. The Phase 1 trade deal with China agreed in early December (and as such, not reflected in today’s report) should help reduce some of the uncertainty surrounding investment decisions going forward, and we expect this to be reflected in the data early in the new year. Today’s report could certainly have been better, but it’s not as bad as the headline number makes it seem. The economy remains on solid footing as we close out a year where the markets gave us plenty of reason for cheer.



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-19	Oct-19	Sep-19	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-2.0%	0.2%	-1.5%	-12.3%	1.4%	-3.7%
<i>Ex Defense</i>	0.8%	0.0%	-1.9%	-4.4%	4.6%	-1.6%
<i>Ex Transportation</i>	0.0%	0.3%	-0.6%	-1.3%	0.1%	-0.3%
<i>Primary Metals</i>	-0.3%	-1.6%	-0.5%	-9.3%	-2.7%	-6.9%
<i>Industrial Machinery</i>	-1.6%	0.9%	-0.1%	-3.2%	-0.9%	-1.2%
<i>Computers and Electronic Products</i>	0.2%	0.3%	-0.5%	0.4%	-3.4%	-2.4%
<i>Transportation Equipment</i>	-5.9%	0.1%	-3.2%	-30.6%	4.3%	-10.1%
Capital Goods Orders	-7.8%	3.8%	-2.8%	-25.2%	-0.9%	-9.4%
Capital Goods Shipments	-0.8%	1.1%	0.0%	1.1%	-4.2%	-2.6%
<i>Defense Shipments</i>	-0.5%	0.0%	1.6%	4.7%	-3.8%	6.6%
<i>Non-Defense, Ex Aircraft</i>	-0.3%	0.7%	-0.8%	-1.6%	-2.4%	0.3%
Unfilled Orders for Durable Goods	-0.4%	0.0%	0.0%	-1.5%	-1.6%	-1.9%

Source: Bureau of the Census