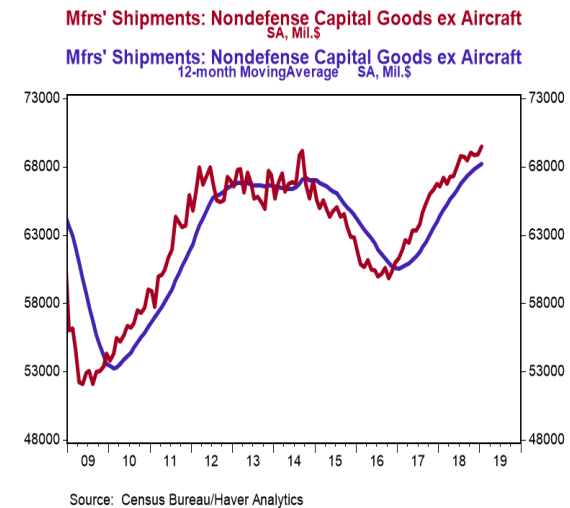
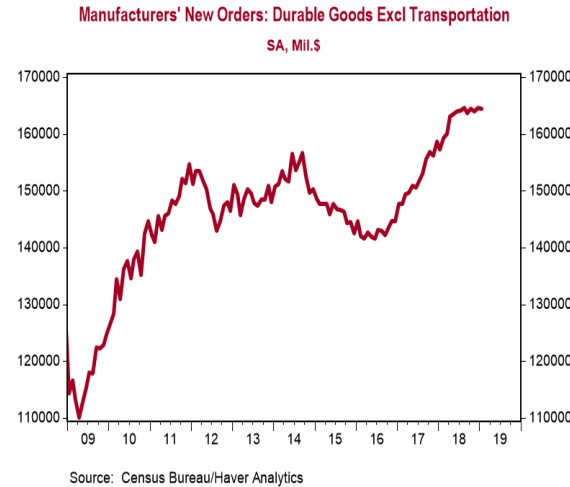


# January Durable Goods

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- New orders for durable goods rose 0.4% in January (+0.5% including revisions to prior months), well above the consensus expected decline of 0.4%. Orders excluding transportation fell 0.1% in January (+0.1% including revisions to prior months), versus a consensus expected gain of 0.1%. Orders are up 8.4% from a year ago while orders excluding transportation are up 4.5%.
- The increase in orders in January was led by civilian aircraft and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.8% in January. If unchanged in February and March, these shipments will be up at a 3.0% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.1% in January and are up 4.3% in the past year.

**Implications:** Durable goods orders surprised to the upside in January on the back of rising aircraft orders, while orders outside the transportation sector left something to be desired. Stripping out the typically volatile transportation sector – which rose 1.2% in January – shows durable goods orders declined 0.1%. With the transportation sector likely to be more volatile than usual in coming months (as Boeing deals with fallout from the 737 Max 8), the ex-transportation reading will take on even greater importance as a monitor of short-term activity. A closer look at the details of the January report shows that rising orders for computers and communication equipment couldn't offset declines in the broader "computers and electronic products" category, while a healthy pickup in machinery orders was largely offset by declining orders for both primary and fabricated metal products. More important than month-to-month changes in either direction, the trend continues to show a healthy pace of activity, with total orders up 8.4% in the past year, while orders excluding transportation are up 4.5%. Among the most important data released in the durable goods report are shipments of non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), which rose 0.8% in January and, if unchanged in February and March, will be up at a 3.0% annualized rate in Q1 vs the Q4 average. This healthy growth in "core" shipments continues the trend seen in 2018, which posted the fastest full-year growth rate in "core" shipments in six years. Clearly, the promised benefits to business investment from the Tax Cuts and Jobs Act have, in fact, materialized. Healthy growth in durable goods orders and a strong labor market suggests that the economy will continue to grow near the fastest pace in a decade. Why some continue to warn of recession is a mystery. 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 news this morning, construction spending rose 1.3% in January (-0.1% including revisions to prior months). The increase in spending in January was led by highways and streets, educational facilities, and transportation projects. Construction spending ended 2018 on a weak note but looks to be accelerating early in 2019.



Durable Goods <i>All Data Seasonally Adjusted</i>	Jan-19	Dec-18	Nov-18	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>0.4%</b>	1.3%	0.9%	6.7%	-3.8%	8.4%
<b>Ex Defense</b>	<b>0.7%</b>	2.2%	-0.1%	12.2%	0.2%	7.1%
<b>Ex Transportation</b>	<b>-0.1%</b>	0.3%	-0.2%	0.8%	-0.3%	4.5%
<b>Primary Metals</b>	<b>-1.5%</b>	0.0%	1.7%	-5.9%	-6.6%	8.6%
<b>Industrial Machinery</b>	<b>1.4%</b>	-0.6%	-2.0%	2.9%	-1.7%	3.4%
<b>Computers and Electronic Products</b>	<b>-1.3%</b>	-0.4%	0.1%	-6.8%	3.6%	5.7%
<b>Transportation Equipment</b>	<b>1.2%</b>	3.1%	3.1%	18.3%	-9.6%	16.1%
<b>Capital Goods Orders</b>	<b>1.8%</b>	2.1%	2.8%	16.9%	-9.5%	11.9%
<b>Capital Goods Shipments</b>	<b>-0.9%</b>	0.7%	2.0%	-0.9%	5.3%	5.7%
<b>Defense Shipments</b>	<b>3.4%</b>	4.8%	-0.8%	37.6%	24.1%	13.1%
<b>Non-Defense, Ex Aircraft</b>	<b>0.8%</b>	0.1%	-0.2%	3.5%	2.1%	4.4%
<b>Unfilled Orders for Durable Goods</b>	<b>0.1%</b>	-0.1%	-0.2%	0.2%	0.9%	4.3%

Source: Bureau of the Census