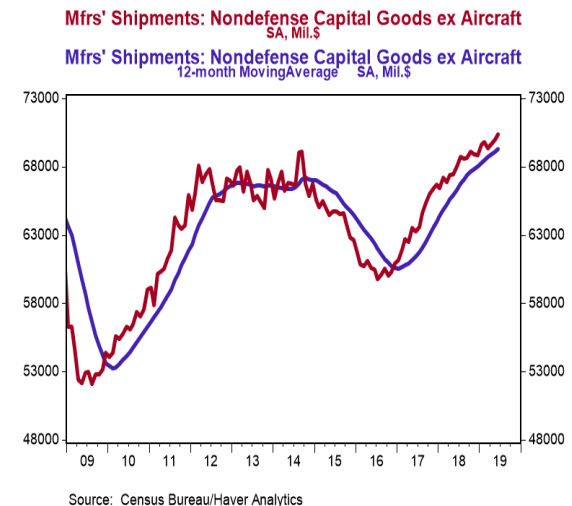
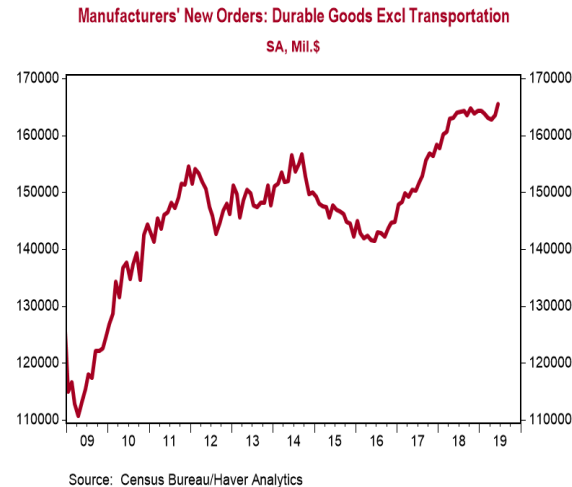


## June Durable Goods

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- New orders for durable goods rose 2.0% in June (+1.0% including revisions to prior months), coming in well above the consensus expected rise of 0.7%. Orders excluding transportation rose 1.2% in June, easily beating the consensus expected rise of 0.2%. Orders are down 1.6% from a year ago while orders excluding transportation are up 0.9%.
- The rise in orders in June was led by motor vehicles and civilian aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.6% in June, and was up at a 2.4% annualized rate in Q2 versus the Q1 average.
- Unfilled orders declined 0.7% in June and are down 0.3% in the past year.

**Implications:** Orders for durable goods surged in June, rising for every major category. Yes, the volatile transportation category rose 3.8% in June, but orders outside the transportation sector increased 1.2%, easily beating expectations. Machinery orders led the way outside transportation, rising 2.4%, the largest single-month increase for the category since early 2018, when the new tax law added incentives for investment in the form of accelerated depreciation. Primary metals and fabricated metal products also had the largest monthly gains in 2019, rising 0.8% and 2.1%, respectively. While the putting pundits may point to the deceleration in durable goods orders over recent quarters as a sign the economy is slowing down and reason for the Fed to cut rates, the slowdown is almost entirely due to aircraft. Orders excluding transportation – a better gauge of trend growth in the economy – has been accelerating, up 0.9% in the past year, but up at a 1.5% annualized rate over the past six months and a 6.1% annualized rate over the past three. Meanwhile “core” shipments of non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), rose 0.6% in June, and were up at a 2.4% annualized rate in Q2 vs the Q1 average. That represents a continuation of the trend seen in 2018, which posted the fastest full-year growth rate in “core” shipments in six years. All this to say that the Fed has plenty to think about when they meet next week to discuss changes to monetary policy. The data have largely come in better than expected since they last met, but they continue to signal plans to cut rates. How do you justify that while claiming data dependence? We aren’t sure either. In other news this morning, new claims for unemployment insurance fell 10,000 last week to 206,000. Initial claims have now been at or below 250,000 for a record ninety-four consecutive weeks. Continuing claims declined 13,000 to 1.676 million. These figures suggest solid payroll growth continues in July.



Durable Goods <i>All Data Seasonally Adjusted</i>	Jun-19	May-19	Apr-19	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>2.0%</b>	-2.3%	-2.8%	-11.8%	-6.8%	-1.6%
<i>Ex Defense</i>	<b>3.1%</b>	-1.2%	-3.3%	-6.0%	-4.4%	-0.7%
<i>Ex Transportation</i>	<b>1.2%</b>	0.5%	-0.2%	6.1%	1.5%	0.9%
<i>Primary Metals</i>	<b>0.8%</b>	-0.7%	-2.5%	-9.7%	-12.0%	-6.1%
<i>Industrial Machinery</i>	<b>2.4%</b>	0.2%	0.0%	10.5%	5.4%	0.9%
<i>Computers and Electronic Products</i>	<b>0.4%</b>	0.7%	-0.5%	2.3%	1.7%	3.7%
<i>Transportation Equipment</i>	<b>3.8%</b>	-7.5%	-7.6%	-38.2%	-21.0%	-6.5%
<b>Capital Goods Orders</b>	<b>1.4%</b>	-6.5%	-4.8%	-33.7%	-17.5%	-6.7%
<i>Capital Goods Shipments</i>	<b>1.2%</b>	0.5%	-2.3%	-2.4%	-3.1%	0.3%
<i>Defense Shipments</i>	<b>-0.3%</b>	0.6%	3.4%	15.9%	9.5%	12.1%
<i>Non-Defense, Ex Aircraft</i>	<b>0.6%</b>	0.5%	0.4%	5.9%	4.6%	3.8%
<b>Unfilled Orders for Durable Goods</b>	<b>-0.7%</b>	-0.8%	-0.2%	-6.5%	-3.6%	-0.3%

Source: Bureau of the Census