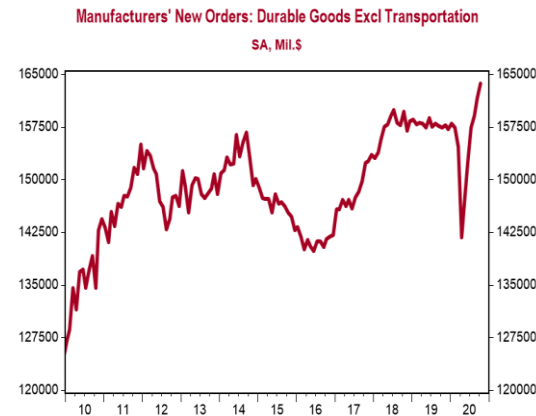


October Durable Goods

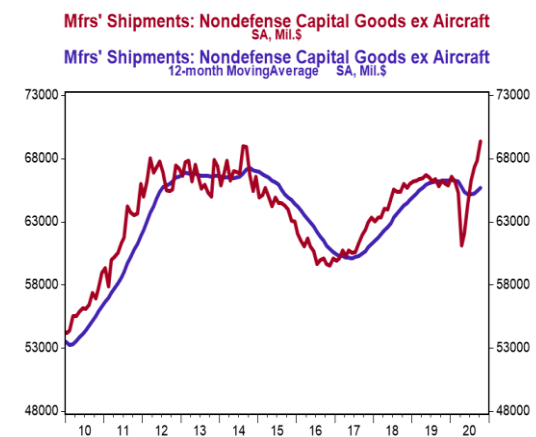
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- New orders for durable goods increased 1.3% in October (+1.4% including revisions to prior months), beating the consensus expected gain of 0.8%. Orders excluding transportation also rose 1.3% in October (+1.9% including revisions), versus a consensus expected gain of 0.5%. Orders are down 0.3% from a year ago, while orders excluding transportation are up 4.0%.
- The increase in orders in October was led by aircraft, computers and electronic products, and fabricated metal products.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 2.3% in October. If unchanged in November and December, these shipments will be up at a 14.2% annualized rate in Q4 versus the Q3 average.
- Unfilled orders declined 0.3% in October and are down 6.6% in the past year.

Implications: New orders for durable goods beat consensus expectations in October, and started the fourth quarter off on strong footing following the historic pace of new orders growth in Q3. With a combined 43.7% increase since the April bottom, new orders now sit just 2.2% below the February pre-pandemic high, signaling a sharp (and very V-shaped) recovery in the manufacturing sector. The volatile transportation sector once again lived up to its name, with a healthy rise in orders for commercial and defense aircraft partially offset by a drop in orders for motor vehicles. Excluding transportation, orders rose 1.3% in October, and now stand 3.6% above levels seen at the start the year. Among the core non-transportation categories, orders activity was mostly higher in October, with computers & electronic products (+3.1%), fabricated metal products (+2.3%), electrical equipment (+1.0%), and primary metals (+0.4%) all rising, while machinery orders (-0.6%) declined. 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), rose 2.3% in October. In the third quarter, this measure rose at a record shattering 33.1% annualized rate versus the Q2 average, and the fourth quarter is off to an impressive start. If unchanged in November and December, these shipments will be up at a 14.2% annualized rate, which would represent the second fastest quarterly growth pace (behind last quarter) in nearly a decade. In other words, business investment, which was a major drag on real GDP in the second quarter, was a major tailwind in Q3 and looks likely to continue supporting growth as we close out 2020. Taken as a whole, today’s report on durable goods left us with plenty to be thankful for as we head into tomorrow’s holiday. We aren’t yet back to “normal,” but we are comfortably on that track. In other economic news this morning, initial jobless claims rose 30,000 last week to 778,000. Meanwhile, continuing claims for regular benefits fell 299,000 to 6.071 million. Plugging these figures into our models suggests continued job growth in November, but at a more modest pace than in recent months. On the manufacturing front, the Richmond Fed Index declined to still robust +15 in November from the record-high reading of +29 in October. This data continue to show a healthy rebound in manufacturing activity versus the deeply negative readings early on in the pandemic.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Oct-20	Sep-20	Aug-20	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	1.3%	2.1%	0.4%	16.2%	106.6%	-0.3%
<i>Ex Defense</i>	0.2%	3.8%	1.0%	21.5%	114.1%	1.4%
<i>Ex Transportation</i>	1.3%	1.5%	1.1%	16.8%	33.3%	4.0%
<i>Primary Metals</i>	0.4%	4.5%	1.9%	30.4%	51.7%	1.3%
<i>Industrial Machinery</i>	-0.6%	0.6%	2.6%	11.1%	22.8%	-1.0%
<i>Computers and Electronic Products</i>	3.1%	1.3%	1.2%	24.7%	19.4%	9.8%
<i>Transportation Equipment</i>	1.2%	3.3%	-0.9%	14.9%	796.1%	-8.4%
Capital Goods Orders	2.7%	5.7%	5.5%	72.7%	89.1%	-3.3%
Capital Goods Shipments	3.6%	0.5%	2.7%	31.0%	28.9%	-1.3%
<i>Defense Shipments</i>	3.3%	-0.3%	-0.6%	9.6%	1.5%	0.5%
<i>Non-Defense, Ex Aircraft</i>	2.3%	0.7%	1.6%	20.2%	28.9%	3.0%
Unfilled Orders for Durable Goods	-0.3%	-0.2%	-0.6%	-4.2%	-6.2%	-6.6%

Source: Bureau of the Census