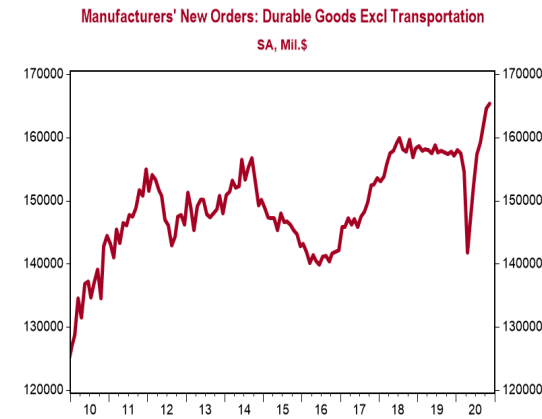


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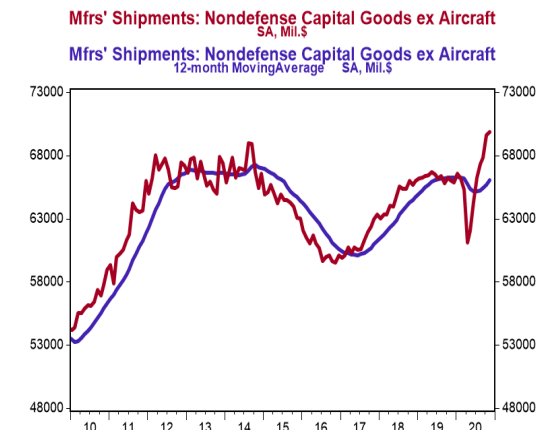
## November Durable Goods

- New orders for durable goods increased 0.9% in November (+1.3% including revisions to prior months), beating the consensus expected gain of 0.6%. Orders excluding transportation rose 0.4% in November (+1.0% including revisions), versus a consensus expected gain of 0.5%. Orders are up 3.8% from a year ago, while orders excluding transportation are up 4.8%.
- The increase in orders in November was led by autos, defense aircraft, and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.4% in November. If unchanged in December, these shipments will be up at a 16.8% annualized rate in Q4 versus the Q3 average.
- Unfilled orders declined 0.1% in November and are down 6.2% in the past year.

**Implications:** New orders for durable goods once again beat consensus expectations, rising 0.9% in November (+1.3% when you include upward revisions to prior months data), showing fourth quarter orders activity on a strong footing as we close out this historic year. With a combined 45.8% increase since the April bottom, new orders now sit just 0.8% below the February pre-pandemic high, signaling a sharp (and very V-shaped) recovery in durable goods. The volatile transportation sector once again lived up to its name, with a healthy rise in orders for autos and defense aircraft partially offset by a drop in orders for commercial aircraft. Excluding transportation, orders rose 0.4% in November, and are now 4.7% above the level at the start of the year. Among the core non-transportation categories, orders activity was mostly higher in November, with machinery (+0.9%), electrical equipment (+0.8%), computers & electronic products (+0.4%), and primary metals (+0.4%) all rising, while orders for fabricated metal products (-0.8%) 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 0.4% in November. In the third quarter, this measure rose at a record shattering 33.1% annualized rate versus the Q2 average, and the fourth quarter looks set for double-digit growth once again. If unchanged in December, these shipments will be up at a 16.8% 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 continues to support growth as we close out 2020. We won’t have December data until 2020 is officially behind us, but what is clear is that we have seen significant progress towards recovery since COVID-19 reared its ugly head. We aren’t yet back to “normal,” that will take time, but the “V” shape to date gives reason for some holiday cheer. In other news this morning, initial jobless claims fell 89,000 last week to 803,000. Meanwhile, continuing claims for regular benefits fell 170,000 to 5.337 million. Plugging these figures into our models suggests continued job growth in December, but at a more modest pace than in recent months as lockdowns are once again impacting employment across the country.



Source: Census Bureau/Haver Analytics



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<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>Nov-20</b>	<b>Oct-20</b>	<b>Sep-20</b>	<b>3-mo % ch. annualized</b>	<b>6-mo % ch. annualized</b>	<b>Yr to Yr % Change</b>
<b>New Orders for Durable Goods</b>	<b>0.9%</b>	1.8%	2.1%	20.7%	60.7%	3.8%
<b>Ex Defense</b>	<b>0.7%</b>	0.8%	3.8%	23.2%	66.3%	1.6%
<b>Ex Transportation</b>	<b>0.4%</b>	1.9%	1.5%	16.4%	27.3%	4.8%
<b>Primary Metals</b>	<b>0.4%</b>	1.2%	4.5%	27.1%	32.3%	-1.0%
<b>Industrial Machinery</b>	<b>0.9%</b>	0.3%	0.7%	7.9%	24.6%	1.0%
<b>Computers and Electronic Products</b>	<b>0.4%</b>	4.2%	1.3%	26.2%	21.6%	11.4%
<b>Transportation Equipment</b>	<b>1.9%</b>	1.5%	3.3%	30.4%	193.1%	1.8%
<b>Capital Goods Orders</b>	<b>0.1%</b>	3.3%	5.7%	42.9%	23.7%	9.2%
<b>Capital Goods Shipments</b>	<b>-0.9%</b>	3.8%	0.5%	14.6%	27.0%	1.1%
<b>Defense Shipments</b>	<b>6.7%</b>	3.4%	-0.3%	46.4%	17.1%	3.1%
<b>Non-Defense, Ex Aircraft</b>	<b>0.4%</b>	2.6%	0.8%	16.2%	27.0%	5.0%
<b>Unfilled Orders for Durable Goods</b>	<b>-0.1%</b>	-0.2%	-0.2%	-2.0%	-6.2%	-6.2%

Source: Bureau of the Census