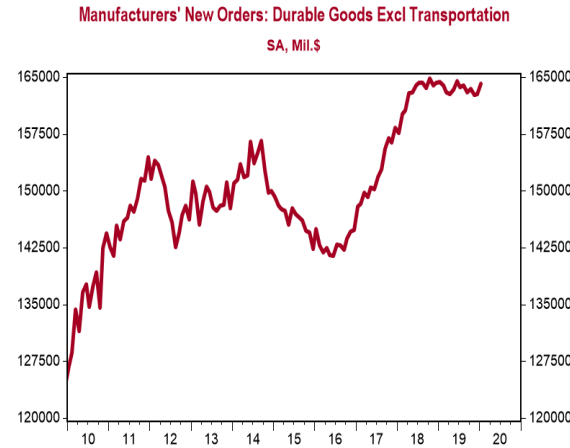


# January Durable Goods

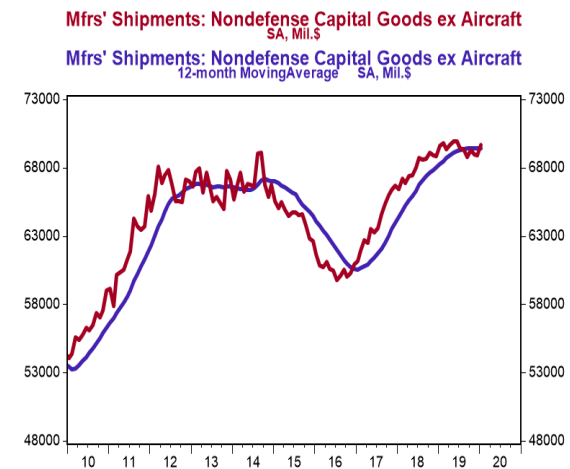
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- New orders for durable goods declined 0.2% in January (+0.3% including revisions to prior months), easily beating the consensus expected drop of 1.4%. Orders excluding transportation increased 0.9% in December (+1.1% including revisions), versus the consensus expected rise of 0.2%. Orders are down 3.9% from a year ago, while orders excluding transportation are down 0.1%.
- The decline in orders in January was led by defense aircraft and motor vehicles.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 1.1% in January. If unchanged in February and March, these shipments will be up at a 3.6% annualized rate versus the Q4 2019 average.
- Unfilled orders remained unchanged in January and are down 2.3% in the past year.

**Implications:** Don't get hung up on the headline decline in durable goods in January, the underlying details of the report were healthy. Nearly all of January's weakness came from the volatile transportation sector, where a surprisingly large increase in civilian aircraft orders (despite the disruptions at Boeing) were offset by declines in defense aircraft and motor vehicles. Excluding transportation, new orders rose 0.9% in January, the largest monthly gain since 2018. The gains were broad-based as well, with every major non-transportation sector posting an increase. 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), jumped 1.1% in January to post the largest gain in a year, following consistent weakness in the second half of 2019. If unchanged in February and March, these shipments will be up at a 3.6% annualized rate versus the Q4 2019 average, which would be a tailwind for GDP growth in Q1. Meanwhile, new orders for "core" capital goods also rose 1.1% in January to post the largest monthly gain in a year. This points to a possible rebound in capital expenditure from companies following the China Phase 1 trade deal and the signing of the USMCA, though uncertainty surrounding Coronavirus is sure to interfere with this over the coming months. Despite the fears surrounding the virus, the economy remains on solid footing and looks set to grow at a moderate rate in 2020. In other news this morning, initial claims for unemployment benefits rose 8,000 last week to 219,000 while continuing claims fell 9,000 to 1.724 million. Despite the increase in claims, the overall level remains subdued and signals continued growth in payrolls in February.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Jan-20	Dec-19	Nov-19	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>-0.2%</b>	2.9%	-3.1%	-2.0%	-3.3%	-3.9%
<b>Ex Defense</b>	<b>3.6%</b>	-1.9%	-0.6%	4.5%	-3.6%	-4.0%
<b>Ex Transportation</b>	<b>0.9%</b>	0.1%	-0.5%	1.9%	0.5%	-0.1%
<b>Primary Metals</b>	<b>2.2%</b>	-0.3%	-1.7%	0.8%	-0.9%	-5.7%
<b>Industrial Machinery</b>	<b>2.1%</b>	-1.5%	-1.2%	-2.6%	-0.6%	-0.8%
<b>Computers and Electronic Products</b>	<b>0.3%</b>	1.3%	-0.1%	6.2%	2.7%	1.2%
<b>Transportation Equipment</b>	<b>-2.2%</b>	8.8%	-8.2%	-9.2%	-10.3%	-10.6%
<b>Capital Goods Orders</b>	<b>0.6%</b>	5.8%	-10.3%	-17.0%	-8.4%	-10.0%
<b>Capital Goods Shipments</b>	<b>-0.8%</b>	0.2%	-0.9%	-5.7%	-1.0%	-4.8%
<b>Defense Shipments</b>	<b>4.8%</b>	-2.2%	-0.7%	7.1%	8.2%	0.5%
<b>Non-Defense, Ex Aircraft</b>	<b>1.1%</b>	-0.1%	-0.4%	2.3%	0.8%	0.1%
<b>Unfilled Orders for Durable Goods</b>	<b>0.0%</b>	0.0%	-0.6%	-2.3%	-0.8%	-2.3%

Source: Bureau of the Census