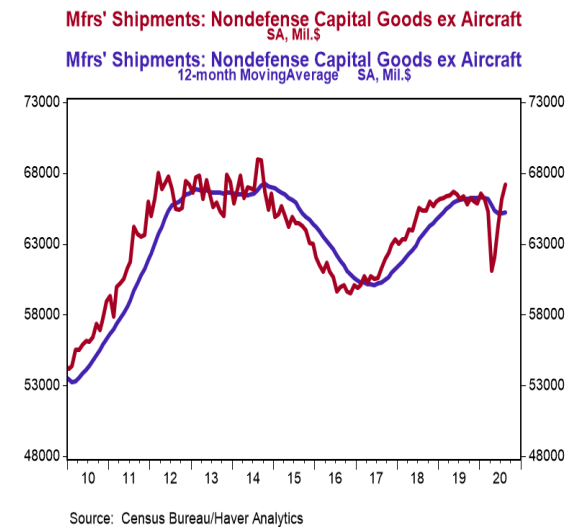
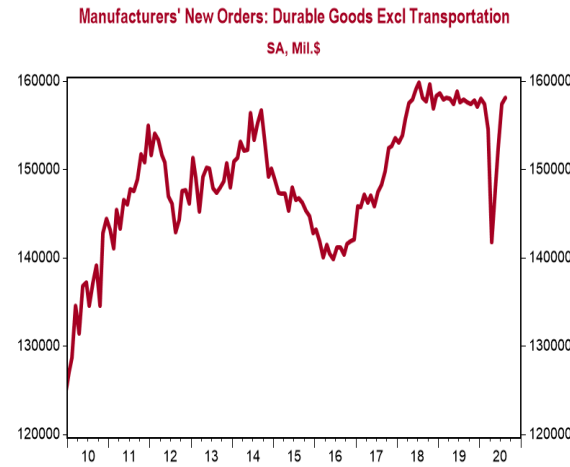


# August Durable Goods

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- New orders for durable goods increased 0.4% in August (+0.7% including revisions to prior months), lagging the consensus expected gain of 1.5%. Orders excluding transportation also rose 0.4% in August (+1.0% including revisions), versus a consensus expected gain of 1.0%. Orders are down 4.6% from a year ago, while orders excluding transportation are up 0.1%.
- The increase in orders in August was led by commercial aircraft and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 1.5% in August. If unchanged in September, these shipments will be up at a 30.8% annualized rate in Q3 versus the Q2 average.
- Unfilled orders declined 0.6% in August and are down 6.1% in the past year.

**Implications:** New orders for durable goods continued to climb higher in August, though at a slower pace than the consensus expected as the growth of orders cooled from the fastest 3-month pace in series history dating back to the early 1990’s. With a combined 39.0% increase since the April bottom, new orders now sit just 5.4% below the February pre-pandemic high, signaling a sharp recovery in the manufacturing sector. The volatile transportation sector lived up to its name once again, with a sizeable rise in orders for commercial aircraft being largely offset by a drop in orders for motor vehicles. Excluding transportation, orders rose 0.4% in August and have now broken above the levels seen to start the year. Among the core non-transportation categories, orders activity was mixed in August, with machinery (+1.5%), computers & electronic products (+1.2%), and primary metals (+1.2%) rising while electrical equipment (-1.5%) and fabricated metal products (-1.3%) 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 1.5% in August. Even if these orders remain unchanged in September, this measure will be up at a 30.8% annualized rate in Q3 versus the Q2 average, suggesting that business investment, which was a major drag on real GDP in the second quarter, will be a major tailwind in Q3. While this represents growth from a very low base, Q3 is on track to see real GDP growth in the 25 - 30% range. The Atlanta Fed’s “GDP Now” model had Q3 growth at a 32.0% annual rate going into today’s report, but we are sticking with a slightly more conservative forecast as inventories may remain a source of weakness. We also expect the economy will continue to grow at an above-trend pace in Q4 and through 2021, but the road to recovery will be [a long slog back](#). What matters most, is that we have started our way down the path.



Durable Goods <i>All Data Seasonally Adjusted</i>	Aug-20	Jul-20	Jun-20	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>0.4%</b>	11.7%	7.7%	113.6%	-10.6%	-4.6%
<i>Ex Defense</i>	<b>0.7%</b>	10.4%	9.7%	121.7%	-8.4%	-4.3%
<i>Ex Transportation</i>	<b>0.4%</b>	3.2%	4.0%	35.3%	0.8%	0.1%
<i>Primary Metals</i>	<b>1.2%</b>	1.6%	4.6%	34.3%	-9.7%	-5.9%
<i>Industrial Machinery</i>	<b>1.5%</b>	2.7%	3.8%	37.2%	-2.1%	-1.4%
<i>Computers and Electronic Products</i>	<b>1.2%</b>	3.0%	-0.1%	17.8%	8.3%	4.6%
<i>Transportation Equipment</i>	<b>0.5%</b>	35.2%	19.5%	594.9%	-29.0%	-13.1%
<b>Capital Goods Orders</b>	<b>5.6%</b>	14.2%	-15.7%	7.0%	-24.8%	-10.0%
<b>Capital Goods Shipments</b>	<b>2.7%</b>	2.1%	3.7%	40.2%	-5.6%	-4.7%
<i>Defense Shipments</i>	<b>-0.4%</b>	0.6%	-1.6%	-5.5%	-2.8%	2.2%
<i>Non-Defense, Ex Aircraft</i>	<b>1.5%</b>	2.8%	3.7%	37.5%	3.1%	0.0%
<b>Unfilled Orders for Durable Goods</b>	<b>-0.6%</b>	-0.7%	-1.4%	-10.2%	-11.9%	-6.1%

Source: Bureau of the Census