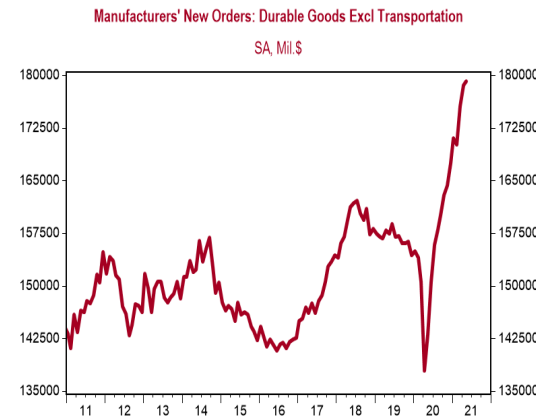


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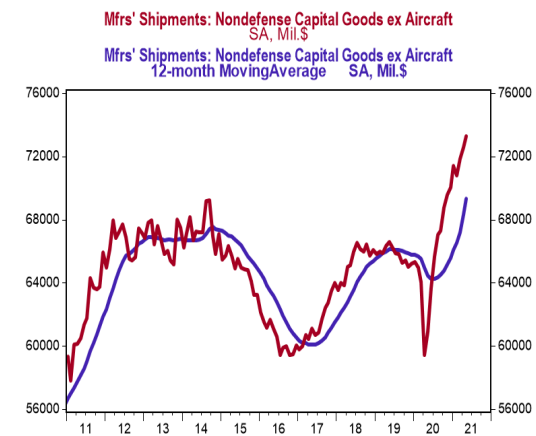
May Durable Goods

- New orders for durable goods rose 2.3% in May (+2.9 % including revisions to prior months), falling short of the consensus expected gain of 2.8%. Orders excluding transportation increased 0.3% in May (+1.0% including revisions), below the consensus expected +0.7%. Orders are up 41.6% from a year ago, while orders excluding transportation are up 25.2%.
- The rise in orders in May was led by commercial aircraft, autos, and primary metals.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.9% in May. If unchanged in June, these shipments will be up at a 9.7% annualized rate in Q2 versus the Q1 average.
- Unfilled orders rose 0.8% in May, but are down 1.4% in the past year.

Implications: Orders for durable goods rebounded in May, following an April lull as companies battled supply chain shortages – most notably in semiconductors – that have been constraining activity in some sectors. As we have seen across a number of economic reports – housing starts, retail sales, and new home sales – there is a battle taking place between consumers who are back in force as restrictions have eased, and companies that are struggling to keep up with demand while inputs (including labor) remain hard to come by. While transportation equipment (particularly autos) have seen their fair share of turbulence over the past year, they were the key driver of higher orders activity in May, as commercial aircraft orders boomed and orders for autos rose 2.1%. But it wasn't just transportation equipment that rose in May. Orders excluding transportation were up 0.3%, and today's report showed notable upward revisions to prior months, as well. Looking at the details shows activity across sectors was mixed, with orders for primary metals (+2.2%), and electrical equipment & appliances (+1.3%) rising, while industrial machinery (-0.4%), and computers & electronic products (-0.3) declined. On a year-ago basis, durable goods orders are up a staggering 41.6% from May 2020. 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 0.9% in May, and if unchanged in June these shipments will be up at a 9.7% annualized rate in the second quarter. Some will focus on the fact that quarterly growth rates in this measure of business investment have slowed: 39.9% annualized growth rate in Q3 2020, 17.8% annualized growth in Q4, and 11.3% annualized growth in the first quarter of 2021. But those growth rates are skewed by unprecedented shutdowns and snarled supply chains. Business investment is still a tailwind that will help lift real GDP substantially in 2021. In employment news this morning, initial jobless claims fell 7,000 last week to 411,000. Meanwhile continuing claims declined 144,000 to 3.390 million. There is a growing list of states that have announced an early cut-off of expanded unemployment benefits that have served as a headwind to hiring across the U.S. despite job openings standing at the highest level in history. We anticipate a robust pace of employment growth as we move deeper into 2021.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	May-21	Apr-21	Mar-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	2.3%	-0.8%	1.3%	12.0%	17.4%	41.6%
<i>Ex Defense</i>	1.7%	0.5%	2.3%	19.4%	19.5%	45.0%
<i>Ex Transportation</i>	0.3%	1.7%	3.3%	23.0%	18.9%	25.2%
<i>Primary Metals</i>	2.2%	5.4%	5.4%	65.8%	38.9%	46.9%
<i>Industrial Machinery</i>	-0.4%	2.2%	3.2%	21.6%	20.7%	23.8%
<i>Computers and Electronic Products</i>	-0.3%	0.5%	0.6%	2.9%	1.2%	8.9%
<i>Transportation Equipment</i>	7.6%	-6.6%	-3.1%	-10.0%	13.7%	106.4%
Capital Goods Orders	4.2%	0.8%	-2.7%	9.1%	36.3%	39.2%
Capital Goods Shipments	-0.9%	3.4%	1.6%	17.4%	14.6%	24.8%
<i>Defense Shipments</i>	-2.6%	5.3%	0.4%	12.3%	1.5%	11.3%
<i>Non-Defense, Ex Aircraft</i>	0.9%	1.0%	1.6%	14.7%	10.8%	22.2%
Unfilled Orders for Durable Goods	0.8%	0.4%	0.5%	7.1%	4.5%	-1.4%

Source: Bureau of the Census