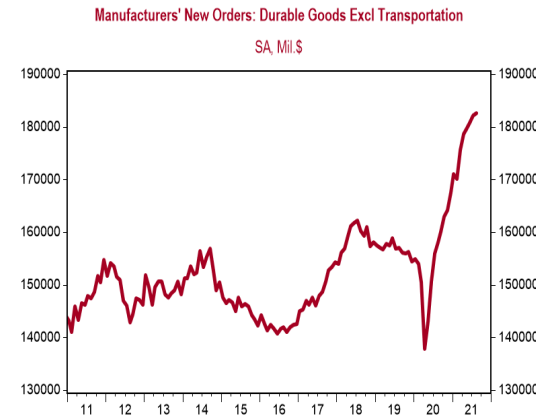


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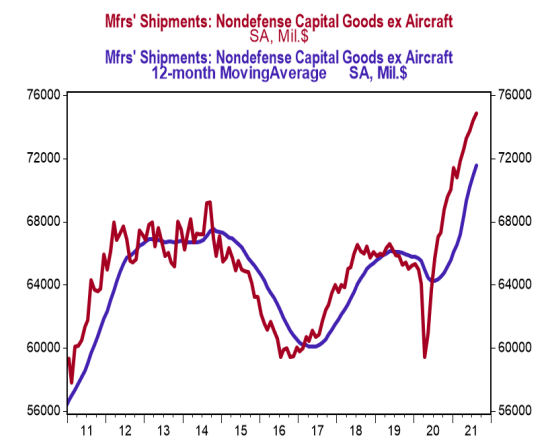
August Durable Goods

- New orders for durable goods rose 1.8% in August (+2.4% including revisions to prior months), easily beating the consensus expected rise of 0.7%. Orders excluding transportation increased 0.2% in August (+0.3% including revisions), falling short of the consensus expected +0.5%. Orders are up 18.1% from a year ago, while orders excluding transportation are up 15.6%.
- The rise in orders in August was led by commercial aircraft, fabricated metal products, and computers & electronic products.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.7% in August. If unchanged in September, these shipments will be up at an 8.6% annualized rate in Q3 versus the Q2 average.
- Unfilled orders rose 1.0% in August and are up 3.7% in the past year.

Implications: Durable goods orders rose at a healthy clip in August, beating expectations, but it was almost entirely due to the very volatile commercial aircraft category that can (and does) swing wildly from month to month. Strip out the typically volatile transportation component, and durable goods rose a more modest 0.2%. Growth is expected to moderate as the U.S. economy continues to shift from a focus on goods towards a return to services, which were heavily restricted throughout much of last year (just take a look at restaurant and bar sales, up at a 66.8% annualized rate year-to-date). But that isn't the only headwind over the coming months, as companies continue to battle severe supply-chain shortages. As we have seen across a number of economic reports – housing starts, manufacturing surveys, 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. The details of today's report show activity across the major sectors was mixed, with orders for fabricated metal products (+2.0%), electrical equipment (+1.3%), and communications equipment (+1.1%) rising while computers & related products (-2.4%), primary metals (-1.5%), and industrial machinery (-1.2%) declined. On a year-ago basis, durable goods orders are up a massive 18.1% from August 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 0.7% in August, and if unchanged in September, these shipments will be up at an 8.6% annualized rate in the third 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, 11.3% annualized growth in the first quarter of 2021, and 10.6% annualized growth in Q2. But those growth rates were skewed by unprecedented shutdowns and snarled supply chains. Business investment is still a tailwind that will help lift real GDP substantially in 2021.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Aug-21	Jul-21	Jun-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	1.8%	0.5%	0.8%	13.1%	14.5%	18.1%
Ex Defense	2.4%	-0.5%	1.0%	12.1%	18.3%	19.2%
Ex Transportation	0.2%	0.8%	0.6%	6.9%	15.3%	15.6%
Primary Metals	-1.5%	1.7%	0.9%	4.2%	33.5%	28.5%
Industrial Machinery	-1.2%	3.0%	2.1%	16.6%	21.7%	18.0%
Computers and Electronic Products	1.4%	-0.1%	0.8%	8.8%	6.3%	6.4%
Transportation Equipment	5.5%	-0.4%	1.4%	28.8%	12.6%	24.4%
Capital Goods Orders	6.7%	-3.1%	1.3%	20.4%	20.8%	36.4%
Capital Goods Shipments	-0.1%	0.8%	1.7%	10.3%	13.5%	17.1%
Defense Shipments	-2.3%	5.9%	1.1%	19.6%	13.3%	15.1%
Non-Defense, Ex Aircraft	0.7%	0.9%	0.6%	9.1%	11.9%	13.2%
Unfilled Orders for Durable Goods	1.0%	0.5%	0.8%	9.5%	8.7%	3.7%

Source: Bureau of the Census