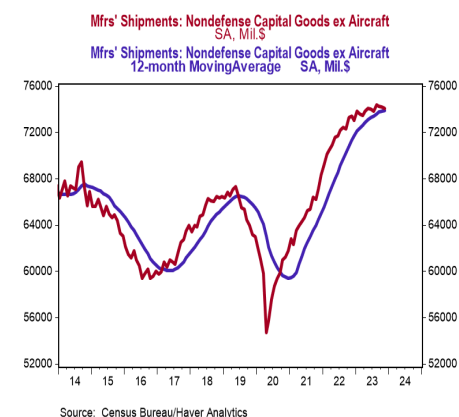
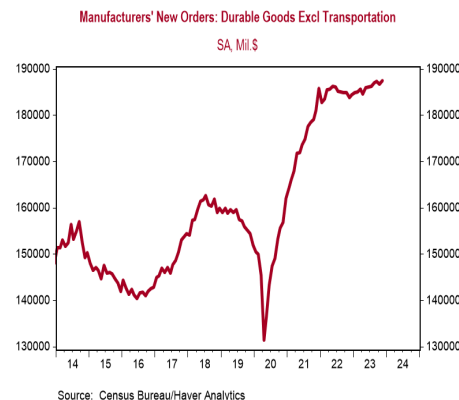


# November Durable Goods

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- New orders for durable goods rose 5.4% in November (+5.7% including revisions to prior months), easily beating the consensus expected 2.3%. Orders excluding transportation rose 0.5% (+0.1% including revisions), versus a consensus expected +0.1%. Orders are up 9.5% from a year ago, while orders excluding transportation have risen 2.0%.
- A surge in orders for commercial aircraft and autos led gains across most major categories in November.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.1% in November. If unchanged in December, these shipments will be down at a 0.2% annualized rate in Q4 versus the Q3 average.
- Unfilled orders rose 1.3% in November and are up 8.8% in the past year.

**Implications:** Durable goods orders surged in November following an October lull, as the typically volatile transportation categories continue to dominate monthly readings. Commercial aircraft orders jumped 80.1% in November following a 43.9% decline in October. Meanwhile orders for autos rose 2.8% following declines in each of the prior two months. That said, even stripping out the typically volatile transportation category shows orders for durable goods up a healthy 0.5% in November. Orders rose for electrical equipment (+1.3%), primary metals (+0.6%), machinery (+0.3%), and computers & electronic products (+0.3%). Fabricated metal products orders were unchanged. Arguably the most important number in today’s report is core shipments – a key input for business investment in the calculation of GDP – which declined 0.1% in November. If unchanged in December, these shipments would be down at a 0.2% annualized rate in Q4 versus the Q3 average. While growth in these shipments has been steadily slowing over the past three years, this would represent the first outright decline in core shipments since the second quarter of 2020. We expect the slowing trend will continue as the economy feels the lagged effects of the Federal Reserve’s actions to tighten monetary policy. In the past year, orders for durable goods are up 9.5%, while orders excluding transportation are up a more modest 2.0%. A number of factors are likely to keep the path forward rocky as we move into 2024: restrictive monetary policy from the Federal Reserve (even as rate cutting starts), the tightening of lending standards following stress in the banking sector, and withdrawal symptoms following the COVID-era economic morphine that artificially boosted both consumer and business spending. In addition, the return toward services likely means goods-related activity will continue to soften in the year ahead, even as some durables that facilitate services remain healthy. In other news this morning, personal income rose 0.4% in November and is up 4.6% in the past year, while spending increased 0.2% in November and has risen 5.4% from a year ago. Most notably, PCE prices (the Fed’s preferred measure of inflation) declined 0.1% in November, the first monthly drop in prices reported since April 2020. PCE prices are still up 2.6% in the past year, but up at only a 2.0% rate in the past six months, consistent with the Fed’s inflation target. “Core” prices – which exclude the volatile food and energy components – rose 0.1% in November and are up at only a 1.9% annual rate in the past six months. However, they are also up 3.2% in the past year. On the manufacturing front, the Kansas City Fed Index, a measure of factory sentiment in that region, rose to -1 in December from -2 in November, signaling continued sluggishness in the factory sector.



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-23	Oct-23	Sep-23	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>5.4%</b>	-5.1%	4.0%	17.1%	4.6%	9.5%
<i>Ex Defense</i>	<b>6.5%</b>	-6.4%	5.0%	20.4%	6.9%	10.2%
<i>Ex Transportation</i>	<b>0.5%</b>	-0.3%	0.2%	1.1%	1.7%	2.0%
<i>Primary Metals</i>	<b>0.6%</b>	-0.5%	0.0%	0.4%	-1.9%	1.7%
<i>Industrial Machinery</i>	<b>0.3%</b>	-0.8%	0.0%	-2.1%	0.1%	-0.6%
<i>Computers and Electronic Products</i>	<b>0.3%</b>	-0.1%	0.8%	4.5%	5.3%	3.6%
<i>Transportation Equipment</i>	<b>15.3%</b>	-13.4%	11.5%	53.4%	9.8%	25.5%
<b>Capital Goods Orders</b>	<b>12.7%</b>	-10.1%	13.4%	74.2%	16.0%	26.5%
<b>Capital Goods Shipments</b>	<b>0.6%</b>	0.1%	-0.2%	1.9%	1.7%	4.7%
<i>Defense Shipments</i>	<b>1.0%</b>	2.6%	0.0%	15.4%	14.3%	11.1%
<i>Non-Defense, Ex Aircraft</i>	<b>-0.1%</b>	-0.1%	-0.1%	-1.5%	0.1%	1.3%
<b>Unfilled Orders for Durable Goods</b>	<b>1.3%</b>	0.4%	1.3%	12.4%	11.5%	8.8%

Source: Bureau of the Census