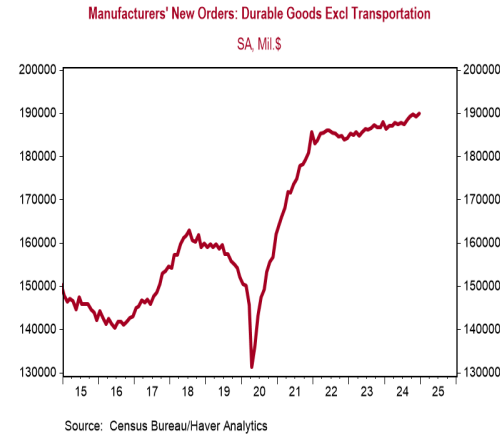


# December Durable Goods

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- New orders for durable goods declined 2.2% in December (-3.0% including revisions to prior months) falling well short of the consensus expected rise of 0.6%. Orders excluding transportation rose 0.3%, matching consensus expectations. Orders are down 3.9% from a year ago, while orders excluding transportation have risen 1.0%.
- Declines in orders for commercial aircraft and primary metals were only partially offset by rising orders for fabricated metal products and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.6% in December and were up at a 3.0% annualized rate in Q4 versus the Q3 average.
- Unfilled orders declined 0.5% in December but are up 0.5% in the past year.

**Implications:** New orders for durable goods fell for the fourth time in five months in December, and are down 3.9% in the past year. That said, the details of today’s report were not quite as weak as the headline. Transportation drove orders lower in December, but can swing wildly from month to month as aircraft orders tend to come in chunks rather than steadily over time. That was the case once again in December, as commercial aircraft orders fell 45.7%. Excluding the transportation sector, orders for durable goods rose 0.3%. Fabricated metal products led non-transportation orders higher, up 1.2% in December, while electrical equipment (+0.3%), machinery (+0.2%), and computers and electronic products (+0.1%) also rose. These gains were partially offset by a 0.6% drop in orders for primary metals. The most important number in the release, core shipments – a key input for business investment in the calculation of GDP – rose 0.6% in December following healthy 0.4% increases in October and November. These shipments rose at a 3.0% annualized rate in Q4 versus the Q3 average, which represents a welcome return to positive movement following declines in shipments in both the second and third quarters of the year. However, overall orders for durable goods – both including and excluding transportation – haven’t kept pace with inflation over the past twelve months, with headline orders down in the past year. And now that the Trump Administration is back in Washington with a mandate to cut taxes, regulations, and the size of government, we expect volatility in the data to continue in the months ahead as businesses figure out how the new policy environment changes the outlook for investment and growth. In turn, the Federal Reserve will navigate what these changes mean for the path of inflation. There is plenty of potential for both progress and payback in 2025, as the US works to wean itself off outsized deficit spending and on to a more sustainable growth path. There may be pain before the gain. In other news this morning, the home price indexes are telling a story of moderate gains. The national Case-Shiller index rose 0.4% in November and is up 3.8% from a year ago; the FHFA index rose 0.3% in November and is up 4.2% from a year ago.



Durable Goods <i>All Data Seasonally Adjusted</i>	Dec-24	Nov-24	Oct-24	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>-2.2%</b>	-2.0%	0.7%	-13.1%	9.7%	-3.9%
<i>Ex Defense</i>	<b>-2.4%</b>	-1.3%	0.9%	-10.6%	9.9%	-5.7%
<i>Ex Transportation</i>	<b>0.3%</b>	-0.2%	0.2%	1.4%	2.3%	1.0%
<i>Primary Metals</i>	<b>-0.6%</b>	0.4%	-0.3%	-2.0%	0.2%	-0.8%
<i>Industrial Machinery</i>	<b>0.2%</b>	0.0%	0.4%	2.5%	-1.2%	0.5%
<i>Computers and Electronic Products</i>	<b>0.1%</b>	-0.1%	-0.3%	-0.9%	1.4%	1.2%
<i>Transportation Equipment</i>	<b>-7.4%</b>	-5.4%	1.8%	-36.9%	29.1%	-13.4%
<b>Capital Goods Orders</b>	<b>-7.1%</b>	-4.8%	2.0%	-33.7%	36.2%	-12.8%
<b>Capital Goods Shipments</b>	<b>2.8%</b>	-0.8%	-1.2%	2.9%	-0.1%	0.0%
<i>Defense Shipments</i>	<b>-1.0%</b>	-0.5%	4.0%	9.8%	8.6%	4.5%
<i>Non-Defense, Ex Aircraft</i>	<b>0.6%</b>	0.4%	0.4%	5.6%	1.7%	0.1%
<b>Unfilled Orders for Durable Goods</b>	<b>-0.5%</b>	0.2%	0.5%	1.0%	1.9%	0.5%

Source: Bureau of the Census