

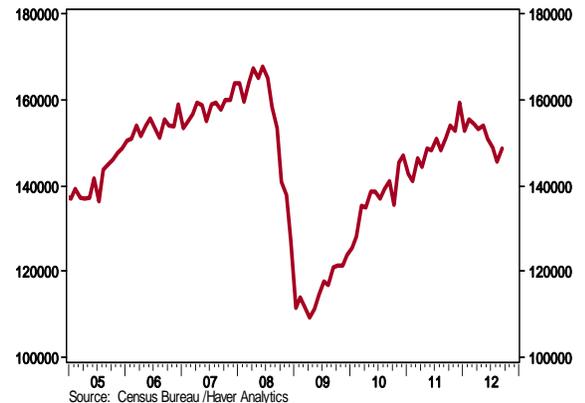
## September Durable Goods

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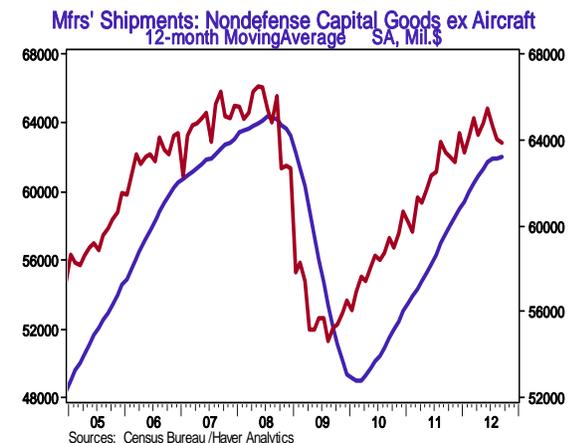
- New orders for durable goods jumped 9.9% in September (10% including revisions to August), coming in above the consensus expected gain of 7.5%. Orders excluding transportation increased 2.0% (1.5% including revisions to August), easily beating the consensus expected gain of 0.9%. Overall new orders are up 2.5% from a year ago, while orders excluding transportation are down 1.6%.
- The rise in overall orders in September was led by a massive rebound in civilian aircraft, although ex-transportation orders were up as well. Machinery orders were up 9.2%, but are still down 6.0% from a year ago.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure was down 0.3% in September (-0.8% including revisions to August) and was down at a 4.9% annual rate in Q3 versus the Q2 average.
- Unfilled orders were up 0.2% in September and are up 4.7% from last year.

**Implications:** Orders for durable goods bounced back sharply in September after a steep drop in August. Both the drop last month and now the rebound were mostly due to extreme moves in the always volatile aircraft orders. However, taking out the transportation sector, orders were still up 2% in September, led by a 9.2% rebound in machinery. That's the good news. The bad news is that machinery orders are still down 6% from a year ago. Meanwhile, shipments of "core" capital goods, which exclude defense and aircraft, were down 0.3% in September, the third straight monthly decline. Core shipments usually fall in the first month of each quarter and then rebound in the last two months. This time, the rebound didn't happen. These figures suggest a temporary hesitation in business investment, not recession. We think some companies are postponing purchases of big ticket items until after the election, in the hopes of more clarity, and improvement, in public policy. If so, expect a rebound after the election. Monetary policy is loose, corporate profits are close to record highs, balance sheet cash is at a record high (earning almost zero interest), and we are still in the early stages of a home building recovery. All of these indicate more business investment ahead. In other news this morning, initial claims for unemployment insurance declined 23,000 last week to 369,000. Continuing claims for regular state benefits declined 2,000 to 3.254 million. These figures and other recent data are consistent with a payroll gain of about 120,000 in October, both nonfarm and private. In other news this morning, pending home sales, which are contracts on existing homes, increased 0.3% in September after a 2.6% decline in August. These figures suggest existing home sales (counted at closing) should be roughly unchanged in October.

**Manufacturers' New Orders: Durable Goods Excl Transportation**  
 SA, Mil.\$



**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
 SA, Mil.\$



<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>Sep-12</b>	<b>Aug-12</b>	<b>Jul-12</b>	<b>3-mo % ch.</b> <b>annualized</b>	<b>6-mo % ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>New Orders for Durable Goods</b>	<b>9.9%</b>	-13.1%	3.3%	-5.5%	2.8%	2.5%
<b>Ex Defense</b>	<b>9.1%</b>	-12.3%	4.7%	0.6%	2.5%	3.1%
<b>Ex Transportation</b>	<b>2.0%</b>	-2.1%	-1.4%	-6.0%	-7.4%	-1.6%
<b>Primary Metals</b>	<b>4.1%</b>	-2.5%	2.2%	15.8%	-2.4%	4.3%
<b>Industrial Machinery</b>	<b>9.2%</b>	-6.1%	-6.1%	-14.2%	-9.5%	-6.0%
<b>Computers and Electronic Products</b>	<b>-2.5%</b>	-4.8%	-2.1%	-31.7%	-23.5%	-10.4%
<b>Transportation Equipment</b>	<b>31.7%</b>	-33.7%	13.2%	-4.6%	30.8%	12.5%
<b>Capital Goods Orders</b>	<b>25.6%</b>	-26.0%	1.8%	-19.7%	4.2%	-3.4%
<b>Capital Goods Shipments</b>	<b>1.7%</b>	-1.8%	-0.8%	-3.6%	0.6%	3.5%
<b>Defense Shipments</b>	<b>4.7%</b>	-1.5%	-4.7%	-6.9%	0.0%	-0.8%
<b>Non-Defense, Ex Aircraft</b>	<b>-0.3%</b>	-1.2%	-1.6%	-11.7%	-4.5%	0.9%
<b>Unfilled Orders for Durable Goods</b>	<b>0.2%</b>	-1.7%	0.7%	-3.1%	-1.1%	4.7%

Source: Bureau of the Census