

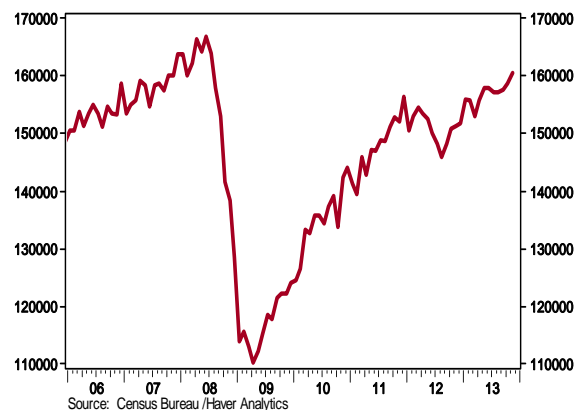
# November Durable Goods

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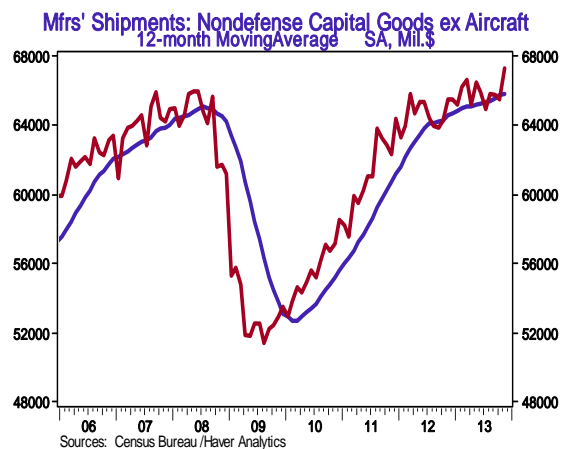
- New orders for durable goods rose 3.5% in November, beating the consensus expected 2.0% gain. Orders excluding transportation increased 1.2%, beating the consensus expected gain of 0.7%. Including revisions to October, overall orders rose 4.4% and orders excluding transportation rose 1.5%. Orders are up 10.9% from a year ago, while orders excluding transportation are up 6.1%.
- The gain in overall orders was led by civilian aircraft, autos, and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 2.8% in November. If unchanged in December, these shipments will be up at a 7.5% annual rate in Q4 versus the Q3 average.
- Unfilled orders were up 1.0% in November and are up 7.8% from last year.

**Implications:** An early Christmas present came in the shape of the November durable goods report today. New orders surged by 3.5%. Much of the gain was in the transportation sector – particularly civilian aircraft – which is extremely volatile month to month. Excluding transportation, orders were still up a very healthy 1.2%, led by a 3.8% surge in industrial machinery. Shipments of “core” capital goods, which exclude defense and aircraft, rose 2.8% in November and, if this measure is unchanged in December, will be up at a 7.5% annual rate in Q4 over Q3. Plugging these figures into our models for real GDP lifts our forecast for Q4 to a 2.3% annual rate. Both consumer spending and business investment appear to be rising at the fastest pace all year. If accurate, real GDP will be up 2.5% in 2013 (on a Q4/Q4 basis), the best since 2010. We expect faster growth of around 3% in 2014. Other great news in today’s report was that unfilled orders for core capital goods rose 1% in November, hitting a new record high. The news on unfilled orders supports our optimism about business investment. Monetary policy is loose and, for Corporate America, borrowing costs are still relatively low and balance sheet cash and profits are at or near record highs. Meanwhile, the obsolescence cycle should get more firms to update their capital stock. In addition, the recovery in home building should generate more demand for big-ticket consumer items, such as appliances. The Plow horse looks set to trot in 2014. Merry Christmas!

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



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



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-13	Oct-13	Sep-13	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>3.5%</b>	-0.7%	4.2%	31.4%	5.6%	10.9%
<b>Ex Defense</b>	<b>3.5%</b>	0.2%	3.6%	33.2%	6.3%	11.8%
<b>Ex Transportation</b>	<b>1.2%</b>	0.7%	0.3%	9.0%	3.4%	6.1%
<b>Primary Metals</b>	<b>-1.0%</b>	1.7%	3.3%	16.8%	5.0%	6.1%
<b>Industrial Machinery</b>	<b>3.8%</b>	1.0%	-1.7%	12.9%	8.5%	10.8%
<b>Computers and Electronic Products</b>	<b>1.7%</b>	2.4%	5.0%	43.1%	1.4%	5.8%
<b>Transportation Equipment</b>	<b>8.4%</b>	-3.5%	13.1%	95.5%	10.1%	21.9%
<b>Capital Goods Orders</b>	<b>9.1%</b>	-2.7%	8.2%	74.4%	4.0%	20.3%
<b>Capital Goods Shipments</b>	<b>2.3%</b>	-0.4%	0.0%	8.1%	0.3%	2.9%
<b>Defense Shipments</b>	<b>9.6%</b>	-1.5%	-3.0%	19.8%	21.3%	6.7%
<b>Non-Defense, Ex Aircraft</b>	<b>2.8%</b>	-0.4%	-0.1%	9.3%	2.4%	2.8%
<b>Unfilled Orders for Durable Goods</b>	<b>1.0%</b>	0.6%	0.9%	10.3%	10.2%	7.8%

Source: Bureau of the Census