

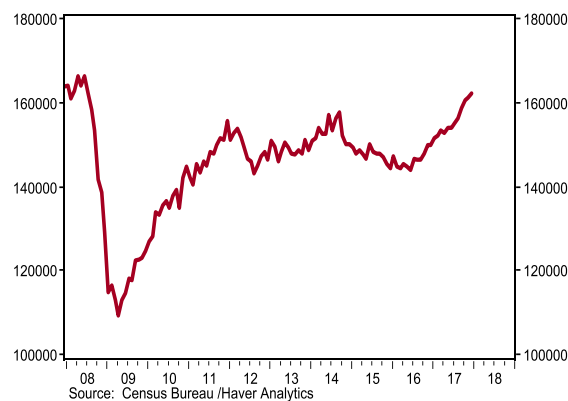
## December Durable Goods

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- New orders for durable goods rose 2.9% in December (+3.3% including revisions to prior months), coming in well above the consensus expected rise of 0.8%. Orders excluding transportation rose 0.6% in December (+1.0% including revisions to prior months), matching consensus expectations. Orders are up 11.5% from a year ago while orders excluding transportation are up 8.2%.
- The rise in orders in December was led by aircraft and fabricated metal products.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.6% in December, and rose at a 12.5% annual rate in Q4 vs the Q3 average.
- Unfilled orders rose 0.6% in December, and are up 1.9% from last year.

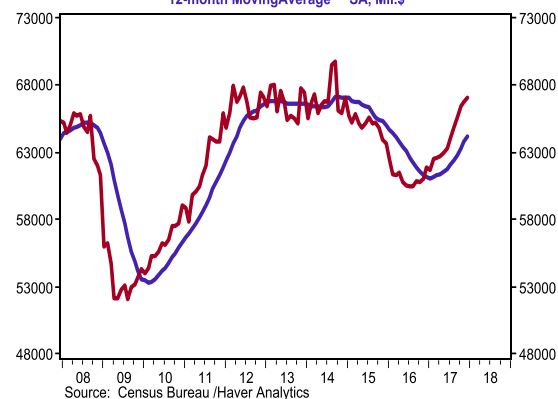
**Implications:** Orders for durable goods ended 2017 on a high note, rising 2.9% in December on the back of surging aircraft orders. But even excluding the volatile transportation sector, orders increased 0.6% in December, and rose 8.2% in 2017, the largest annual increase going back 2010. Add in that orders have been accelerating, with total durable goods orders up at an 18% annual rate over the past three months and ex-transportation orders up at a 9.9% rate over the same period, and 2018 looks to be in line for a strong start. The details of non-transportation orders in December show mixed results. Healthy increases for primary metals, fabricated metal products, and machinery more than offset modest declines in orders for electrical equipment, appliance & components, and computer & electronic products. With tax reform signed into law in late December – including a shift to full expensing for business investment instead of depreciation over several years – we expect orders (particularly machinery orders) to continue to pick up as companies increase investment. The best news in today’s report was for shipments of non-defense capital goods ex-aircraft, or “core” shipments – the measure most important for calculating the business equipment portion of GDP growth. These shipments increased 0.6% in December and were up at a 12.5% annual rate in Q4 vs the Q3 average, the second consecutive quarter of double-digit growth. This reflects the willingness of businesses to invest more aggressively for efficiency purposes as the labor market gets tighter, and a positive outlook for companies headed into 2018. As a whole, durable goods orders continue to show signs of an economy that is picking up pace, with better policies out of Washington adding wind to its back.

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



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

Mfrs' Shipments: Nondefense Capital Goods ex Aircraft  
 12-month Moving Average SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Dec-17	Nov-17	Oct-17	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>2.9%</b>	1.7%	-0.4%	18.0%	3.1%	11.5%
<b>Ex Defense</b>	<b>2.2%</b>	1.5%	0.0%	16.1%	1.3%	12.1%
<b>Ex Transportation</b>	<b>0.6%</b>	0.3%	1.4%	9.9%	11.1%	8.2%
<b>Primary Metals</b>	<b>1.4%</b>	1.6%	2.2%	23.1%	14.4%	13.0%
<b>Industrial Machinery</b>	<b>0.6%</b>	0.0%	2.8%	14.0%	8.8%	10.2%
<b>Computers and Electronic Products</b>	<b>-0.2%</b>	-0.9%	1.6%	1.9%	17.6%	6.6%
<b>Transportation Equipment</b>	<b>7.4%</b>	4.6%	-4.0%	35.4%	-9.7%	18.2%
<b>Capital Goods Orders</b>	<b>2.3%</b>	2.8%	-3.8%	4.6%	-13.9%	15.1%
<b>Capital Goods Shipments</b>	<b>-0.4%</b>	2.0%	-0.6%	3.9%	10.6%	7.2%
<b>Defense Shipments</b>	<b>-0.2%</b>	1.4%	2.5%	15.5%	23.1%	9.9%
<b>Non-Defense, Ex Aircraft</b>	<b>0.6%</b>	0.4%	1.2%	8.8%	12.2%	8.4%
<b>Unfilled Orders for Durable Goods</b>	<b>0.6%</b>	0.1%	0.1%	3.1%	1.5%	1.9%

Source: Bureau of the Census