

September Durable Goods

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- New orders for durable goods rose 0.8% in September (+1.0% including revisions to prior months), easily beating the consensus expected decline of 1.5%. Orders excluding transportation rose 0.1% in September, versus a consensus expected rise of 0.4%. Orders are up 7.9% from a year ago while orders excluding transportation are up 5.9%.
- The rise in orders in September was led by defense aircraft and autos.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure was unchanged in September, but rose at a 7.7% annualized rate in Q3 versus the Q2 average.
- Unfilled orders rose 0.8% in September and are up 4.9% in the past year.

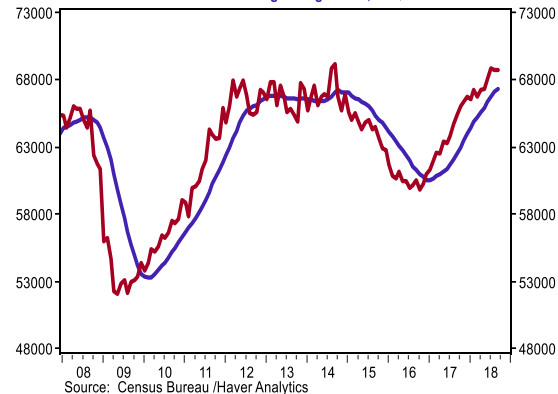
Implications: A surge in defense aircraft orders lifted durable goods higher in September, more than offsetting the expected pullback from commercial aircraft. Strip out the typically volatile transportation sector – which rose 1.9% in September after a 13.2% jump in August - and durable goods rose a more modest 0.1%. A look at the details shows continued growth in machinery orders (up in each of the last six months and showing 5.3% annualized growth in the third quarter) offset declining orders for fabricated metal products, computers & electronic products, and electrical equipment. But more important than month-to-month changes, the trend continues to show a healthy pace of activity, with total orders up 7.9% in the past year and orders excluding transportation up 5.9%. The most anticipated data point in today’s release was shipments of non-defense capital goods excluding aircraft (a key input in the calculation of GDP growth), which was unchanged in September but rose at a 7.7% annualized rate in Q3 versus the Q2 average. Plug in this, as well as inventory data out this morning which came in slightly below expectations, and our final forecast for tomorrow’s Q3 advance GDP report now stands at 3.4% ([click here to see how we get to our Q3 forecast](#)). If that holds true, it represents a slight slowdown from the pace of growth in Q2, but still represents the second fastest quarterly growth rate in four years. And, we expect the average growth rate for both 2018 and 2019 will run 3%+. Storm data may muddy the short-term readings we get on economic activity, and revisions to the GDP report are to be expected, but remember that weather-related slowdowns represent a shift in the timing of activity, not weakness in the overall economy. Healthy growth in durable goods orders, a strong labor market, and the economy on track for the fastest annual growth in more than a decade begs the question, why is the financial media still so focused on doom and gloom? As far as the data show, companies (and consumers) don’t seem nearly as worried as the pouting pundits, and political posturing has little chance of denting the strong growth track that entrepreneurs and innovators have set us on in the US of A. In employment news this morning, initial jobless claims rose 5,000 last week to 215,000. Meanwhile, continuing claims fell 5,000 to 1.64 million, the lowest reading since 1973! These figures suggest a rebound in the pace of job growth in October after the temporary lull in September due to Hurricane Florence. On the housing front, pending home sales (contracts on existing homes) rose 0.5% in September following a 1.9% decline in August. These reports suggest existing home sales, counted at closing, should move modestly higher in October.

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 MovingAverage SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Sep-18	Aug-18	Jul-18	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.8%	4.6%	-1.2%	18.0%	7.5%	7.9%
<i>Ex Defense</i>	-0.6%	2.5%	-0.6%	5.3%	-0.6%	6.2%
<i>Ex Transportation</i>	0.1%	0.3%	0.2%	2.0%	5.9%	5.9%
<i>Primary Metals</i>	0.1%	1.3%	-0.1%	5.6%	7.4%	19.5%
<i>Industrial Machinery</i>	0.8%	0.1%	0.4%	5.3%	10.3%	0.9%
<i>Computers and Electronic Products</i>	0.0%	-0.7%	0.8%	0.3%	7.0%	5.2%
<i>Transportation Equipment</i>	1.9%	13.2%	-3.6%	52.7%	10.3%	11.4%
Capital Goods Orders	-4.4%	12.6%	-4.0%	13.9%	-3.3%	-1.0%
Capital Goods Shipments	2.4%	2.8%	-3.5%	6.8%	6.7%	6.7%
<i>Defense Shipments</i>	0.7%	1.5%	0.2%	10.1%	21.6%	10.7%
<i>Non-Defense, Ex Aircraft</i>	0.0%	0.0%	1.2%	4.6%	6.3%	5.2%
Unfilled Orders for Durable Goods	0.8%	0.9%	0.1%	7.5%	6.8%	4.9%

Source: Bureau of the Census