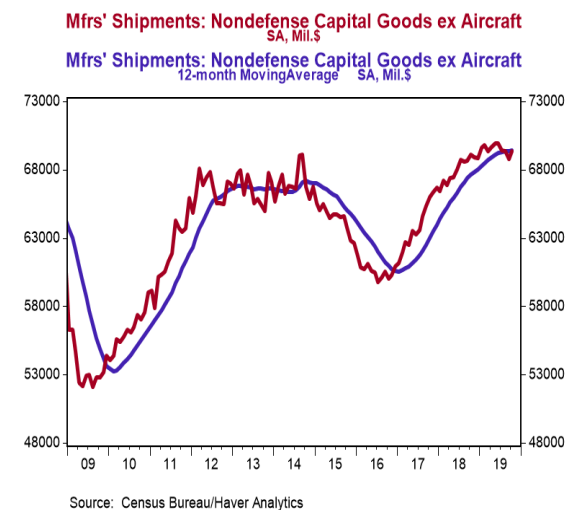
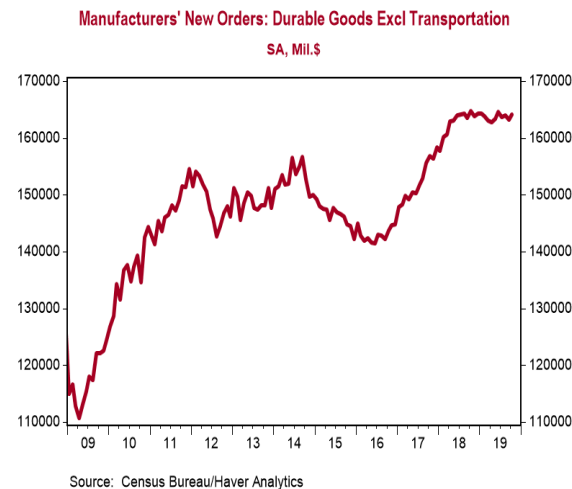


October Durable Goods

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- New orders for durable goods rose 0.6% in October (0.4% including revisions to prior months), easily beating the consensus expected decline of 0.9%. Orders excluding transportation increased 0.6% in October (0.5% including revisions), versus the consensus expected 0.1%. Orders are down 0.7% from a year ago, while orders excluding transportation are down 0.4%.
- The increase in orders in October 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 rose 0.8% in October. If unchanged in November and December, these shipments will be up at a 0.9% annualized rate in Q4 versus the Q3 average.
- Unfilled orders rose 0.1% in October, but are down 1.6% in the past year.

Implications: Holiday cheer arrived early with this morning’s report on durable goods, which easily beat consensus expectations and showed some green shoots for business investment. And even though the biggest individual contributions to today’s gain came from the volatile aircraft sector, orders excluding transportation equipment matched the headline gain of 0.6%. Outside of aircraft the biggest gains in October came from fabricated metal products and industrial machinery. More broadly, it looks like durable goods orders may be turning a corner after persistent weakness earlier this year. Over the past five months, new orders for durable goods have risen at an 8.0% annualized rate, a stark reversal from the annualized decline of 12.6% during the first five months of 2019. Arguably the best news in today’s report came from “core” non-defense capital goods ex-aircraft, where both new orders and shipments posted their best gains since January. For shipments (a key input for business investment in the calculation of GDP growth) this was the first increase in five months. Even if this measure remains unchanged in November and December, shipments will be up at a 0.9% annualized rate in Q4 versus the Q3 average. We expect the rate of GDP growth to move higher in the fourth quarter, especially if the weight on growth from weak business investment spending continues to abate. A Phase 1 trade deal with China looks more and more likely as election season approaches and would help reduce some of the uncertainty surrounding investment decisions going forward. In employment news this morning, initial jobless claims fell 15,000 last week to 213,000, while continuing claims declined 57,000 to 1.640 million. Plugging this data into our models suggests nonfarm payrolls picked up substantially in November.



Durable Goods <i>All Data Seasonally Adjusted</i>	Oct-19	Sep-19	Aug-19	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.6%	-1.4%	0.2%	-2.5%	1.7%	-0.7%
<i>Ex Defense</i>	0.1%	-1.8%	-1.0%	-10.2%	0.8%	-2.5%
<i>Ex Transportation</i>	0.6%	-0.4%	0.1%	1.0%	1.7%	-0.4%
<i>Primary Metals</i>	-1.4%	-0.5%	1.6%	-1.2%	-2.9%	-6.4%
<i>Industrial Machinery</i>	1.3%	-0.1%	-0.3%	3.8%	3.4%	-1.9%
<i>Computers and Electronic Products</i>	0.7%	-0.4%	-0.1%	0.6%	-2.2%	-1.3%
<i>Transportation Equipment</i>	0.7%	-3.2%	0.2%	-9.0%	1.8%	-1.4%
Capital Goods Orders	5.4%	-2.8%	-0.5%	8.1%	4.8%	1.1%
Capital Goods Shipments	1.4%	0.0%	-0.1%	5.0%	-1.3%	-4.1%
<i>Defense Shipments</i>	1.2%	1.6%	0.6%	14.5%	0.7%	10.5%
<i>Non-Defense, Ex Aircraft</i>	0.8%	-0.8%	-0.1%	-0.4%	-0.9%	0.2%
Unfilled Orders for Durable Goods	0.1%	0.0%	0.1%	1.0%	-2.1%	-1.6%

Source: Bureau of the Census