

June Durable Goods

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- New orders for durable goods increased 7.3% in June, beating the consensus expected gain of 6.9%. Orders excluding transportation rose 3.3% in June, slightly below the consensus expected gain of 3.6%. Orders are down 12.7% from a year ago, while orders excluding transportation are down 4.6%.
- The increase in orders in June was led by motor vehicles 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 3.4% in June, but declined at a 19.8% annualized rate in Q2 versus the Q1 average.
- Unfilled orders declined 1.4% in June and are down 4.8% in the past year.

Implications: Durable goods orders continued to recover in June, rising 7.3% on the heels of May’s 15.1% jump. That said, there is still a ways to go to make up the massive declines in March and April, with overall orders remaining 16.0% below February. The volatile transportation sector was the biggest source of strength in June, jumping 20.0%, as a surge in orders for motor vehicles and parts more than offset declining aircraft orders. Excluding transportation, activity came in slightly below expectations, rising 3.3% in June. It’s worth noting that orders for every core non-transportation category rose in orders for the month. Fabricated metal products registered the largest improvement, up 4.5%, followed by primary metals (+3.6%), machinery (+2.7%), electrical equipment (+1.2%), and computers & electronic products (+0.1%). While computers and electronic products showed the smallest improvement in June, the category has been remarkably stable throughout the Coronavirus Contraction, with orders modestly up since February (pre-pandemic), probably reflecting extra equipment needed to help people work from home. One of the most important pieces of data from today’s report, shipments of “core” non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), rose 3.4% in June, but declined at a 19.8% annualized rate in Q2 vs. the Q1 average. We’re forecasting that real GDP declined at a 35% rate in the second quarter, and we get our first look at the government’s estimate when the advanced report on Q2 GDP is released this Thursday. For a deeper dive into what drove the historic decline in the second quarter, check out [this week’s Monday Morning Outlook](#). But remember, while the second quarter was bad – terrible in fact – activity turned a corner in May, and continued to recover in June. The third quarter, which we are roughly 1/3rd of the way through, is on track to see double-digit positive real GDP growth. We expect the economy will continue to grow at an above-trend pace in Q4 and through 2021, but the road to recovery will take time. What matters most, is that we have started our way down the path.



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Jun-20	May-20	Apr-20	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	7.3%	15.1%	-18.3%	3.7%	-26.8%	-12.7%
Ex Defense	9.2%	15.2%	-17.3%	16.9%	-21.1%	-14.3%
Ex Transportation	3.3%	3.6%	-8.3%	-7.6%	-7.0%	-4.6%
Primary Metals	3.6%	9.0%	-14.5%	-13.1%	-15.7%	-11.1%
Industrial Machinery	2.7%	1.0%	-8.0%	-17.1%	-11.1%	-8.1%
Computers and Electronic Products	0.1%	0.6%	-0.1%	2.2%	1.5%	1.1%
Transportation Equipment	20.0%	78.9%	-48.9%	44.8%	-57.4%	-29.2%
Capital Goods Orders	-16.5%	24.6%	-2.4%	6.3%	-41.2%	-18.3%
Capital Goods Shipments	3.6%	0.2%	-11.1%	-27.4%	-13.6%	-11.8%
Defense Shipments	-0.8%	-0.2%	3.7%	10.9%	9.6%	-1.1%
Non-Defense, Ex Aircraft	3.4%	1.6%	-6.4%	-6.6%	-5.1%	-6.9%
Unfilled Orders for Durable Goods	-1.4%	0.0%	-1.5%	-11.1%	-8.9%	-4.8%

Source: Bureau of the Census