

## 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.

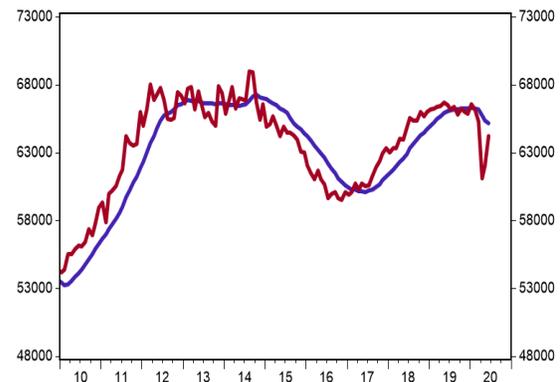
**Implications:** Durable goods orders continued to recover in June, rising 7.3% on the heels of May’s 15.1% jump. That said, there is still a ways to go to make up the massive declines in March and April, with overall orders remaining 16.0% below February. The volatile transportation sector was the 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.\$

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



Source: Census Bureau/Haver Analytics

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

Source: Bureau of the Census