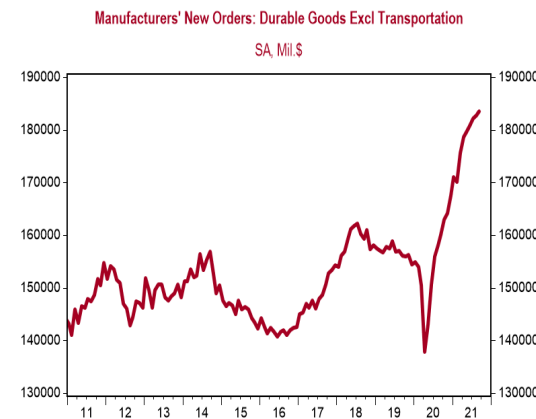


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist

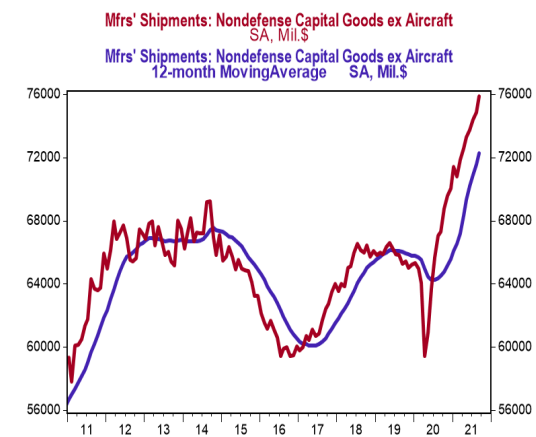
September Durable Goods

- New orders for durable goods declined 0.4% in September (-0.9% including revisions to prior months), coming in above the consensus expected decline of 1.1%. Orders excluding transportation increased 0.4% in September, matching consensus expectations. Orders are up 15.3% from a year ago, while orders excluding transportation are up 14.6%.
- The decline in orders in September was led by commercial aircraft and motor vehicles.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 1.4% in September and was up at a 10.6% annualized rate in Q3 versus the Q2 average.
- Unfilled orders rose 0.7% in September and are up 4.7% in the past year.

Implications: Durable goods orders pulled back slightly in September, but it was entirely due to the typically volatile transportation sector that can (and does) swing wildly from month to month. Strip out transportation, and durable goods rose 0.4%. The details of today’s report show activity across the major sectors was mixed, with orders for machinery (+1.1%), fabricated metal products (+0.7%), and primary metals (+0.6%) rising while electrical equipment and appliances (-0.5%) and computers & electronic products (-0.3%) declined. On a year-ago basis, durable goods orders are up a massive 15.3% from September 2020. 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 1.4% in September, coming in well above the consensus expected 0.5%. These shipments rose at a 10.6% annualized rate in the third quarter. Some will focus on the fact that quarterly growth rates in this measure of business investment have slowed: 39.9% annualized growth rate in Q3 2020, 17.8% annualized growth in Q4, 11.3% annualized growth in the first quarter of 2021, and 10.6% annualized growth in both Q2 and Q3 of this year. But it’s important to remember that activity is being held back by the supply chain disruptions that continue to hold supply back from fulfilling strong demand. The governmental interference in the free market system – shutting down activity while at the same time adding unprecedented stimulus – threw sand in the gears of the economic machine. Actions have consequences, and we will continue to be impacted by Washington’s decisions for the foreseeable future.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Sep-21	Aug-21	Jul-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-0.4%	1.3%	0.5%	5.7%	9.7%	15.3%
Ex Defense	-2.0%	1.7%	-0.5%	-2.9%	7.3%	13.3%
Ex Transportation	0.4%	0.3%	0.8%	6.4%	9.2%	14.6%
Primary Metals	0.6%	-1.9%	1.7%	1.4%	20.6%	25.0%
Industrial Machinery	1.1%	-0.9%	3.0%	13.5%	17.5%	18.6%
Computers and Electronic Products	-0.3%	1.2%	-0.1%	3.3%	4.1%	6.4%
Transportation Equipment	-2.3%	3.8%	-0.4%	4.2%	10.8%	16.8%
Capital Goods Orders	-0.4%	5.6%	-3.1%	8.2%	24.1%	29.8%
Capital Goods Shipments	1.5%	0.0%	0.9%	9.9%	13.6%	12.6%
Defense Shipments	-0.9%	-2.6%	5.9%	9.1%	9.7%	11.5%
Non-Defense, Ex Aircraft	1.4%	0.6%	0.9%	12.2%	11.5%	11.6%
Unfilled Orders for Durable Goods	0.7%	0.9%	0.5%	8.6%	8.9%	4.7%

Source: Bureau of the Census