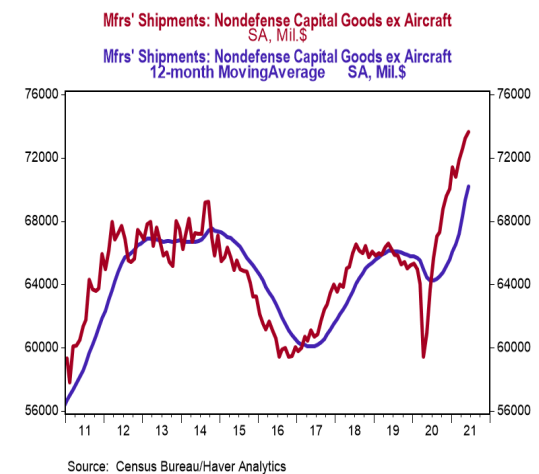
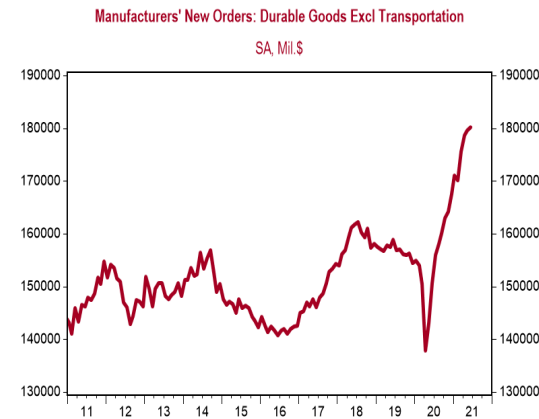


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist

June Durable Goods

- New orders for durable goods rose 0.8% in June (+1.7% including revisions to prior months), falling short of the consensus expected gain of 2.2%. Orders excluding transportation increased 0.3% in June (+0.6% including revisions), below the consensus expected +0.8%. Orders are up 29.3% from a year ago, while orders excluding transportation are up 19.6%.
- The rise in orders in June was led by aircraft, computers & electronic products, and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.6% in June and was up at a 10.4% annualized rate in Q2 versus the Q1 average.
- Unfilled orders rose 0.9% in June and are up 0.9% in the past year.

Implications: Orders for durable goods fell short of expectations in June, but continue to grow at a solid pace. Coming off the strong May report, growth was expected to moderate as the U.S. economy continues to shift from a focus on goods towards a return to services that were heavily restricted throughout much of last year (just take a look at restaurant and bar sales, up at a 90% annualized rate in the first half of this year). But that isn't the only headwind over the coming months, as companies continue to battle supply-chain shortages. As we have seen across a number of economic reports – housing starts, manufacturing surveys, and new home sales – there is a battle taking place between consumers who are back in force as restrictions have eased, and companies that are struggling to keep up with demand while inputs (including labor) remain hard to come by. While transportation equipment has seen its fair share of turbulence over the past year, it was the key driver of higher orders activity in June, as commercial aircraft orders boomed, more than offsetting a decline in orders for autos. That said, the rise in new orders was broad-based in June. Orders excluding transportation were up 0.3%, and today's report showed notable upward revisions to prior months, as well. Looking at the details shows activity across sectors was largely positive, with orders for computers & electronic products (+1.0%), industrial machinery (+0.6%), and primary metals (+0.4%) rising, while fabricated metal products (-0.8%) declined. On a year-ago basis, durable goods orders are up a staggering 29.3% from June 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 0.6% in June, and was up at a 10.4% annualized rate in the second 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, and 11.3% annualized growth in the first quarter of 2021. But those growth rates were skewed by unprecedented shutdowns and snarled supply chains. Business investment is still a tailwind that will help lift real GDP substantially in 2021. In other news today on the manufacturing front, the Richmond Fed Manufacturing Index, which measures mid-Atlantic manufacturing sentiment, jumped to 27 in July from 22 in June. In housing news, the national Case-Shiller index rose 1.7% in May and is up 16.6% versus a year ago, both the fastest increases on record (dating back to 1975). Price gains were led by Phoenix, San Diego, and Seattle, with the slowest price gains in Chicago and Minneapolis. The FHFA index, which tracks homes financed by conforming mortgages, also rose 1.7% in May and is up 18.0% in the past year, the largest twelve-month increase since recording began in the early 1990s.



Durable Goods All Data Seasonally Adjusted	Jun-21	May-21	Apr-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.8%	3.2%	-0.7%	13.7%	17.7%	29.3%
Ex Defense	1.0%	2.8%	0.5%	18.8%	18.3%	31.3%
Ex Transportation	0.3%	0.5%	1.7%	10.7%	15.6%	19.6%
Primary Metals	0.4%	3.0%	5.3%	41.0%	39.0%	35.0%
Industrial Machinery	0.6%	0.5%	2.3%	14.6%	14.7%	20.7%
Computers and Electronic Products	1.0%	0.0%	0.5%	6.1%	4.0%	8.9%
Transportation Equipment	2.1%	10.0%	-6.6%	21.1%	22.9%	59.4%
Capital Goods Orders	2.6%	6.9%	0.9%	49.5%	53.1%	59.6%
Capital Goods Shipments	1.6%	-1.0%	3.4%	17.1%	12.7%	22.3%
Defense Shipments	-0.1%	-3.8%	5.3%	5.0%	12.0%	7.6%
Non-Defense, Ex Aircraft	0.6%	0.9%	0.9%	10.2%	10.6%	20.3%
Unfilled Orders for Durable Goods	0.9%	1.0%	0.4%	9.7%	7.3%	0.9%

Source: Bureau of the Census