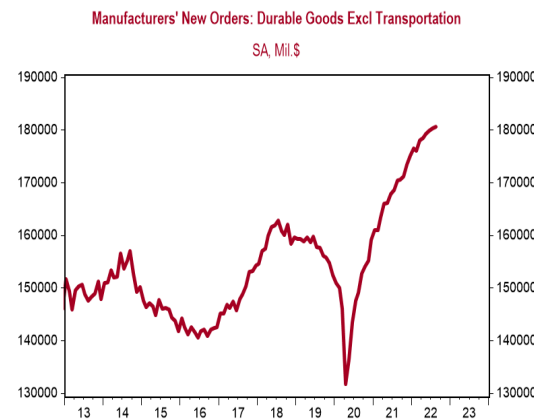


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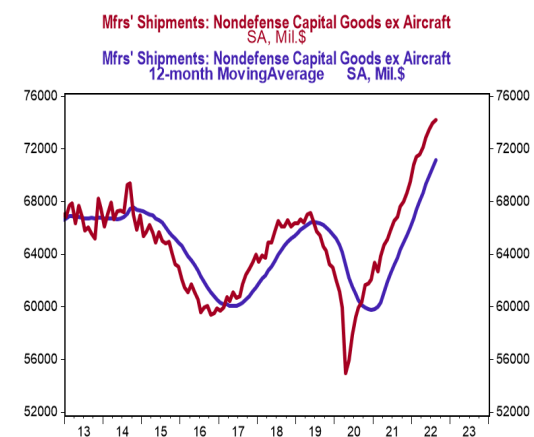
August Durable Goods

- New orders for durable goods declined 0.2% in August, narrowly beating the consensus expected -0.3%. Orders excluding transportation increased 0.2% in August, matching consensus expectations. Orders are up 8.8% from a year ago, while orders excluding transportation are up 6.1%.
- A large decline in orders for commercial aircraft in August was partially offset by rising orders for defense aircraft, computers and electronic products, and electrical equipment.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.3% in August (+0.5% including upward revisions to prior months). If unchanged in September, these shipments will be up at a 7.1% annualized rate in Q3 versus the Q2 average.
- Unfilled orders rose 0.5% in August and are up 6.9% in the past year.

Implications: Durable goods orders declined slightly in August, but the details of today’s report are much better than the headline number suggests. Far and away the largest impact on August durable goods came from the typically volatile commercial aircraft orders, which fell 18.5%. Strip out transportation, and orders rose 0.2% in August, matching consensus expectations. Orders for electrical equipment (+1.0%), computers and electronic products (+0.8%), primary metals (+0.4%), and machinery (+0.3%), all rose, while fabricated metal products (-0.7%) showed the lone decline. Further back in the process, unfilled orders continue to rise, suggesting activity will remain positive as companies battle to keep up with demand that is outpacing supply. One of the most important pieces of today’s report, shipments of “core” non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP), rose 0.3% in August while July orders were revised higher. If unchanged in September, these orders would be up at a 7.1% annualized rate in Q3 versus the Q2 average, providing a tailwind for third quarter GDP. And orders for these core capital goods (which will lead to shipments in the future), rose 1.3% in August, the largest monthly increase since January. Orders for durable goods have recovered sharply since the pandemic, up 71.3% from the April 2020 bottom and now sit 17.8% above the pre-pandemic high set in February 2020. The shift from services to goods accelerated durable goods purchases beyond where they would have been had COVID never happened, and the return toward services taking place today means activity in the goods sector will likely moderate in the year ahead. But for the time being, the data suggest that business investment remains resilient in the face of rising borrowing costs and tepid economic growth.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Aug-22	Jul-22	Jun-22	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-0.2%	-0.1%	2.3%	7.9%	7.9%	8.8%
Ex Defense	-0.9%	0.9%	0.8%	3.4%	6.3%	7.5%
Ex Transportation	0.2%	0.2%	0.4%	3.2%	5.4%	6.1%
Primary Metals	0.4%	-1.5%	-1.4%	-9.5%	7.1%	6.8%
Industrial Machinery	0.3%	0.5%	0.5%	5.6%	8.9%	7.4%
Computers and Electronic Products	0.8%	1.5%	1.8%	17.5%	12.7%	6.4%
Transportation Equipment	-1.1%	-0.7%	6.1%	17.8%	13.1%	14.6%
Capital Goods Orders	-0.8%	3.9%	0.7%	15.9%	7.5%	8.8%
Capital Goods Shipments	1.7%	1.6%	-0.4%	12.2%	11.3%	9.6%
Defense Shipments	1.4%	4.8%	-1.9%	18.3%	8.4%	4.9%
Non-Defense, Ex Aircraft	0.3%	0.6%	0.8%	7.4%	8.0%	11.1%
Unfilled Orders for Durable Goods	0.5%	0.7%	0.8%	8.4%	6.8%	6.9%

Source: Bureau of the Census