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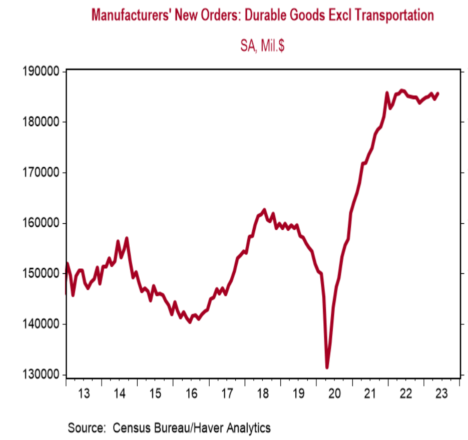
May Durable Goods

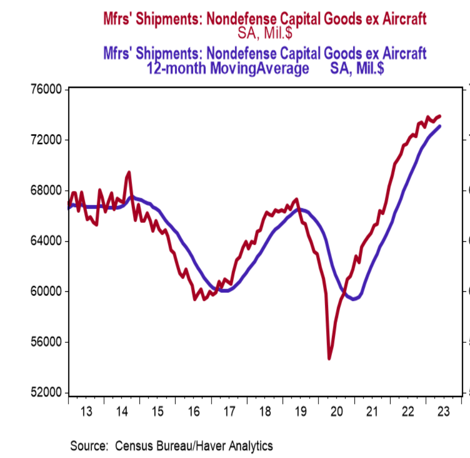
- New orders for durable goods rose 1.7% in May (+1.9% including revisions to prior months), easily beating the consensus expected decline of 0.9%. Orders excluding transportation rose 0.6% in May (+0.3% including revisions), versus a consensus expectation of no change. Orders are up 5.4% from a year ago, while orders excluding transportation are down 0.3%.

- Rising orders for commercial aircraft and autos led gains across most major categories.

- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.2% in May. If unchanged in June, these orders would be up at a 1.2% annualized rate in Q2 versus the Q1 average.

- Unfilled orders rose 0.8% in May and are up 5.6% in the past year.





Implications: New orders for durable goods rose 1.7% in May, easily beating the consensus expectation for a decline. The increase in orders was led by the typically volatile commercial aircraft category, which jumped 32.5% in May. Stripping out transportation, orders still rose a healthy 0.6% in May with gains across most major categories. Diving into the details shows orders led by electrical equipment (+1.7%), machinery (+1.0%), primary metals (+0.5), and computers & electronic products (+0.3%), while fabricated metal product orders showed no change. One of the most important numbers in today's report is core shipments – a key input for business investment in the calculation of GDP – which rose a modest 0.2% in May and, if unchanged in June, would be up at a 1.2% annualized rate in the second quarter versus the Q1 average. While still positive in Q2, that would be the fifth consecutive quarterly deceleration in the pace of growth, and would represent the weakest quarter since the COVID shutdown-restricted second quarter of 2020. In the past year, orders for durable goods are up 5.4%, while orders excluding transportation are down 0.3%. But when you consider that producer prices for capital equipment are up 5.2% in the past year, it means that headline orders are nearly flat when adjusted for inflation. A number of factors are likely to generate turbulent footing as we continue further into 2023: a tighter Federal Reserve, the tightening of lending standards following stress in the banking sector, and withdrawal symptoms following the COVID-era economic morphine that artificially boosted both consumer and business spending. In addition, the return toward services means a large portion of goods-related activity will soften in the year ahead, even as some durables that facilitate services recover. While the data to-date suggests the economy is still growing modestly in the second quarter, we believe a recession awaits us later this year or early in 2024.

Durable Goods *All Data Seasonally Adjusted*	May-23	Apr-23	Mar-23	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	**1.7%**	1.2%	3.3%	28.2%	14.1%	5.4%
Ex Defense	**3.0%**	-0.5%	3.2%	24.8%	13.1%	4.2%
Ex Transportation	**0.6%**	-0.6%	0.3%	1.1%	1.9%	-0.3%
Primary Metals	**0.5%**	-0.7%	0.5%	0.8%	4.5%	-4.8%
Industrial Machinery	**1.0%**	0.3%	-0.1%	4.6%	-1.0%	0.5%
Computers and Electronic Products	**0.3%**	-1.8%	1.8%	1.2%	1.0%	1.7%
Transportation Equipment	**3.9%**	4.8%	9.8%	105.0%	42.6%	17.7%
Capital Goods Orders	**2.8%**	5.0%	9.4%	94.9%	38.2%	13.4%
Capital Goods Shipments	**2.7%**	-1.0%	2.1%	16.3%	5.0%	6.0%
Defense Shipments	**-1.2%**	3.5%	-0.7%	6.2%	8.4%	11.0%
Non-Defense, Ex Aircraft	**0.2%**	0.4%	-0.2%	1.6%	1.4%	4.1%
Unfilled Orders for Durable Goods	**0.8%**	0.8%	0.4%	8.6%	6.2%	5.6%

Source: Bureau of the Census