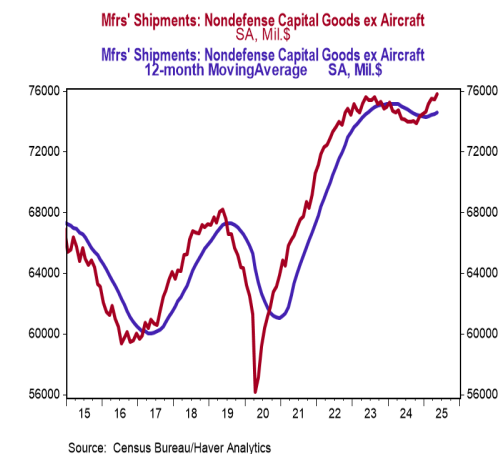
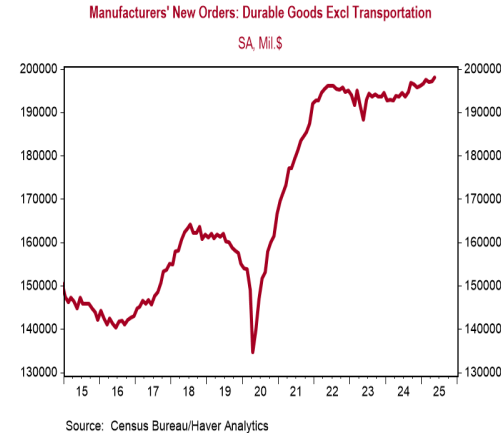


May Durable Goods

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- New orders for durable goods surged 16.4% in May (+16.0% including revisions to prior months) easily beating the consensus expected rise of 8.5%. Orders excluding transportation rose 0.5% in May (+0.3% including revisions), versus a consensus expectation for no change. Orders are up 19.8% from a year ago, while orders excluding transportation have risen 2.3%.
- The rise in May was led by commercial aircraft, but all major categories showed an increase in orders.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.5% in May. If unchanged in June, these orders would be up at a 3.3% annualized rate in Q2 versus the Q1 average.
- Unfilled orders increased 3.4% in May and are up 5.4% in the past year.

Implications: New orders for durable goods soared in May at the fastest pace in more than a decade. However, the 16.4% increase in new orders was almost entirely due to the very volatile category of commercial aircraft, where orders more than tripled from April as President's Trumps tour through Saudi Arabia, Qatar, and the United Arab Emirates was accompanied by a massive Boeing order from Qatar Airways. We anticipate airline orders to slow (and cancellations to increase) in the months ahead as companies and countries navigate the ever-shifting trade and economic environments. But it wasn't just transportations orders that rose in May, even excluding the transportation sector, orders for durable goods increased a healthy 0.5%. The best news was that orders rose across the board, led by computers & electronic products (+1.5%), electrical equipment (+0.8%), and fabricated metal products (+0.7%), while machinery (+0.3%) and primary metals (+0.1%) rounded out the gains. It must be noted the May gains are a bright spot on what has otherwise been a bumpy and modest path for ex-transportations orders, which have struggled to simply keep pace with inflation over the past year and have shown signs of slowing over recent months. The most important number in today's release, core shipments – a key input for business investment in the calculation of GDP – rose 0.5% in May. If unchanged in June, these shipments would be up at a 3.3% annualized rate in Q2 versus the Q1 average. The current environment in Washington – and geopolitical events abroad – remain uncertain, and we expect volatility in the data to be the rule rather than the exception for the foreseeable future. In turn, the Federal Reserve must navigate what these changes mean for the path of inflation. While we don't currently expect any movement from the Fed at the next meeting in late July, we do believe that cuts are on the table starting in September, as economic weakness brings the employment side of the Fed's mandate into more central focus. In other news this morning, initial jobless claims declined 10,000 last week at 236,000, while continuing claims rose 37,000 to 1.974 million. These figures are consistent with continued job growth in June, but at a slower pace than last year.



Durable Goods All Data Seasonally Adjusted	May-25	Apr-25	Mar-25	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	16.4%	-6.6%	7.6%	86.6%	42.0%	19.8%
Ex Defense	15.5%	-7.7%	9.0%	82.4%	40.4%	19.0%
Ex Transportation	0.5%	0.0%	-0.2%	1.2%	2.4%	2.3%
Primary Metals	0.1%	0.2%	0.7%	4.0%	1.6%	0.1%
Industrial Machinery	0.3%	0.4%	0.6%	5.0%	5.2%	4.6%
Computers and Electronic Products	1.5%	0.5%	-1.7%	0.8%	5.5%	3.8%
Transportation Equipment	48.3%	-17.6%	23.5%	417.8%	147.1%	56.2%
Capital Goods Orders	48.0%	-15.0%	21.7%	450.3%	140.9%	61.4%
Capital Goods Shipments	0.3%	3.3%	-0.9%	10.9%	15.9%	7.1%
Defense Shipments	2.7%	1.3%	-0.2%	16.5%	5.6%	3.7%
Non-Defense, Ex Aircraft	0.5%	0.0%	0.5%	3.8%	4.1%	1.0%
Unfilled Orders for Durable Goods	3.4%	0.0%	1.6%	21.5%	10.5%	5.4%

Source: U.S. Census Bureau