

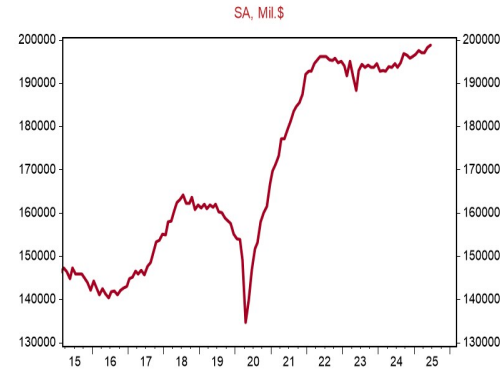
June Durable Goods

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

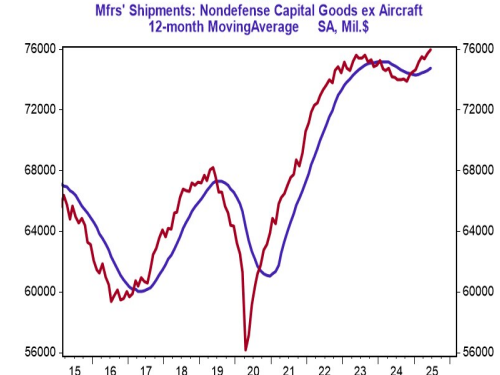
- New orders for durable goods declined 9.3% in June (-9.2% including revisions to prior months) beating the consensus expected -10.7%. Orders excluding transportation rose 0.2% in June (+0.4% including revisions), versus a consensus expected +0.1%. Orders are up 10.9% from a year ago, while orders excluding transportation have risen 2.2%.
- The decline in June orders was led by commercial aircraft, while all major non-transportation categories showed an increase.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.4% in June and was up at a 3.1% annualized rate in Q2 versus the Q1 average.
- Unfilled orders increased 1.0% in June and are up 7.1% in the past year.

Implications: New orders for durable goods plummeted in June at the fastest pace since the COVID shutdowns in early 2020. However, the 9.3% decline in new orders was almost entirely due to the very volatile category of commercial aircraft, where orders came back down to earth following the massive Boeing order from Qatar Airways during President's Trump's tour through Saudi Arabia, Qatar, and the United Arab Emirates. With the full expectation that airline orders would slow (and cancellations increase) as companies and countries navigate the ever-shifting trade and economic environments, ex-transportation orders provide a much better read on the health of activity and those improved in June. Orders rose across all major categories, led by primary metals (+0.6%), computers & electronic products (+0.6%), machinery (+0.4%), fabricated metal products (+0.2%), and electrical equipment (+0.1%). We welcome the broad-based gains, but it must be noted that ex-transportation orders – up 2.2% in the past year – are just barely keeping pace with inflation. The most important number in today's release, core shipments – a key input for business investment in the calculation of GDP – rose 0.4% in June and were up at a 3.1% annualized rate in Q2 versus the Q1 average. The environment in Washington – and geopolitical events abroad – remains 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 meeting next week, we do believe that cuts are on the table starting in September, as economic moderation brings the employment side of the Fed's mandate into more central focus. In other news this morning, the Kansas City Fed Manufacturing Index, a measure of factory sentiment in that region, improved to +1 in July from -2 in June, representing the first reading in positive territory for the index since late 2022.

Manufacturers' New Orders: Durable Goods Excl Transportation



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
 SA, Mil.\$
 Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
 12-month MovingAverage SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Jun-25	May-25	Apr-25	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-9.3%	16.5%	-6.6%	-5.4%	15.2%	10.9%
Ex Defense	-9.4%	15.7%	-7.7%	-12.4%	14.8%	10.3%
Ex Transportation	0.2%	0.6%	0.0%	3.5%	2.7%	2.2%
Primary Metals	0.6%	0.7%	0.1%	5.7%	9.8%	-0.5%
Industrial Machinery	0.4%	0.4%	0.0%	3.5%	8.3%	3.2%
Computers and Electronic Products	0.6%	1.7%	0.5%	11.8%	4.0%	4.8%
Transportation Equipment	-22.4%	48.5%	-17.6%	-18.9%	43.6%	30.5%
Capital Goods Orders	-22.2%	48.8%	-15.1%	-6.6%	41.3%	32.2%
Capital Goods Shipments	0.5%	0.4%	3.1%	17.2%	10.8%	9.2%
Defense Shipments	8.5%	3.2%	1.3%	65.9%	26.9%	5.7%
Non-Defense, Ex Aircraft	0.4%	0.5%	-0.2%	2.5%	4.0%	2.0%
Unfilled Orders for Durable Goods	1.0%	3.4%	0.0%	18.9%	12.6%	7.1%

Source: U.S. Census Bureau