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October Durable Goods

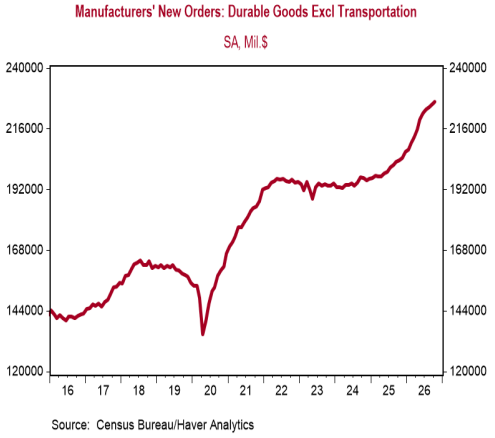
Braden Spiech – Economic Analyst
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

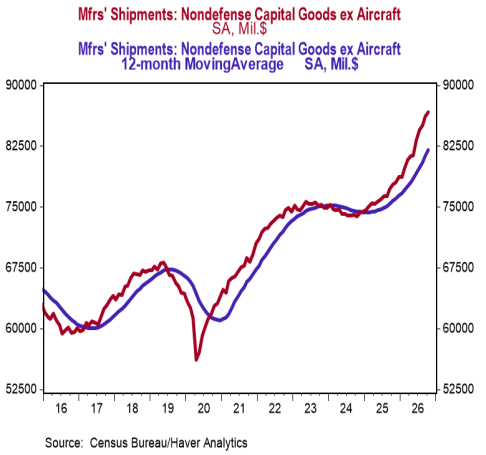
- New orders for durable goods rose 0.2% in October (+0.3% including revisions), lagging the consensus expected +0.7%. Orders excluding transportation increased 0.5% in October, matching consensus expectations. Orders are up 12.7% from a year ago, while orders excluding transportation have risen 11.4%.

- The increase in new orders was led by industrial machinery, autos, and fabricated metal products.

- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.6% in October. If unchanged in November and December, these orders would be up at a 6.8% annualized rate in Q4 versus the Q3 average.

- Unfilled orders rose 0.8% in October and are up 9.6% in the past year.





Implications: Durable goods orders came in below expectations in October, rising 0.2% versus the consensus expected 0.7%. Underneath the headline, however, activity continues to hum along at a solid pace. After staying flat for much of the past three years, orders for autos have started to pick up steam, rising 0.9% in October and 10.3% in the past year. Autos and aircraft tend to be volatile month-to-month so looking at orders excluding transportation provides a much better check on the broader economy. These orders rose 0.5% in October led by a 1.8% increase in industrial machinery and a 0.7% rise in fabricated metal products. However, there were also some blemishes in the report. New orders for primary metals declined in October for the first time this year, and although orders for computers & electronic products grew 1.8% per month through the first half of the year, they are only up 0.1% per month since then. That said, computers & electronic products are still up a strong 16.1% in the past year, which is close to the highest annual gain in about twenty years. 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), continue to rise, increasing a solid 0.6% in October, the ninth consecutive month of growth. If unchanged in November and December, core shipments would be up at a 6.8% annualized rate in Q4 versus the Q3 average. These shipments are up 11.4% in the past year as capital spending from the hyperscalers, the reshoring of production, and a more favorable tax environment for investment have provided a tailwind for GDP (for analysis on that report out this morning, click here). In other recent manufacturing news, the Kansas City Fed Manufacturing Index, a measure of factory sentiment in that region, rose to +18 in November from +11 in October. Meanwhile, the Richmond Fed index, a measure of mid-Atlantic factory activity, rose to +3 in November from a reading of -2 in October. These suggest next week's national ISM Manufacturing report will signal continued growth.

Durable Goods *All Data Seasonally Adjusted*	**Oct-26**	**Sep-26**	**Aug-26**	**3-mo % ch. annualized**	**6-mo % ch. annualized**	**Yr to Yr % Change**
New Orders for Durable Goods	**0.2%**	2.0%	0.1%	9.8%	-0.6%	12.7%
Ex Defense	**0.4%**	2.4%	0.3%	13.3%	1.1%	12.6%
Ex Transportation	**0.5%**	0.5%	0.3%	5.3%	10.3%	11.4%
Primary Metals	**-0.2%**	0.2%	1.9%	8.2%	22.4%	21.2%
Industrial Machinery	**1.8%**	1.4%	0.9%	17.6%	21.4%	17.5%
Computers and Electronic Products	**-0.1%**	0.7%	0.5%	4.2%	9.4%	16.1%
Transportation Equipment	**-0.3%**	5.0%	-0.2%	19.0%	-17.3%	15.3%
Capital Goods Orders	**0.1%**	5.3%	1.1%	29.0%	-11.0%	20.2%
Capital Goods Shipments	**0.9%**	1.9%	-0.9%	7.9%	13.5%	11.7%
Defense Shipments	**2.4%**	2.7%	0.9%	27.1%	27.0%	31.6%
Non-Defense, Ex Aircraft	**0.6%**	1.3%	0.7%	10.6%	13.7%	11.4%
Unfilled Orders for Durable Goods	**0.8%**	0.9%	0.6%	9.7%	8.7%	9.6%

Source: U.S. Census Bureau

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