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August Durable Goods

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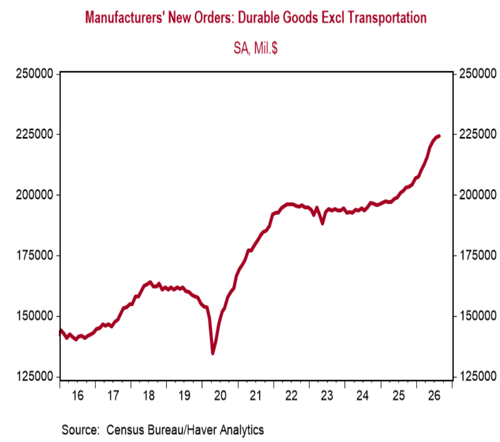
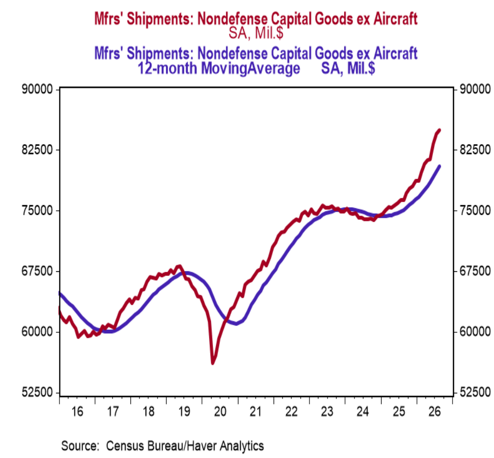
- New orders for durable goods were unchanged in August (-0.2% including revisions), narrowly beating the consensus expected -0.3%. Orders excluding transportation increased 0.3% in August (+0.6% including revisions), versus a consensus expected +0.6%. Orders are up 8.5% from a year ago, while orders excluding transportation have risen 11.2%.

- Rising orders for machinery, primary metals, and defense aircraft were offset by declining orders for commercial aircraft and autos.

- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.6% in August (+0.8% including revisions). If unchanged in September, these orders would be up at a 14.5% annualized rate in Q3 versus the Q2 average.

- Unfilled orders rose 0.6% in August and are up 8.8% in the past year.





Implications: New orders for durable goods took a breather in August, remaining little changed versus July. The good news is that orders fared slightly better than consensus expectations, with growth elsewhere offsetting a 0.6% decline in the transportation sector. Transportation is a notoriously volatile category month to month, so we prefer to focus on orders outside the sector for a better check on the broader economy. Orders excluding transportation continue to rise, up 0.3% in August and 11.2% in the past year. The increase in these new orders was led by industrial machinery (+1.1%), primary metals (+1.2%), and electrical equipment (+1.1%). Notably, orders for computers and electronic products were unchanged in August after dropping 0.7% in July, a slowdown for a category that has benefited significantly from the recent surge in capital investment for data centers. Despite the drop, orders in this category are up 16.5% in the past year – trailing only June for its largest annual gain in about 20 years. The most important number in today's release is core shipments – a key input for business investment in the calculation of GDP – which climbed 0.6% in August following a 1.4% increase in July. If unchanged in September, core shipments would rise at a 14.5% annualized rate in Q3 versus the Q2 average, an acceleration from the 11.6% pace in Q2. These shipments are up 11.4% over the past year, the largest annual gain outside the COVID years since 2012, as capital spending from the hyperscalers, the reshoring of production, and a more favorable tax environment for investment have helped drive a strong increase. Meanwhile, increased defense procurement has provided another boost, with defense shipments rising 28.0% over the past year and nearly doubling since 2019. As you can see in the nearby charts, the strength we see in the durable goods data today is a far cry from three years ago.

Durable Goods *All Data Seasonally Adjusted*	Aug-26	Jul-26	Jun-26	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	**0.0%**	0.9%	0.6%	5.8%	14.6%	8.5%
Ex Defense	**0.1%**	1.4%	0.4%	7.5%	11.2%	7.9%
Ex Transportation	**0.3%**	0.7%	1.1%	8.9%	13.9%	11.2%
Primary Metals	**1.2%**	2.1%	1.9%	22.9%	29.1%	20.1%
Industrial Machinery	**1.1%**	1.5%	1.3%	17.0%	20.4%	15.1%
Computers and Electronic Products	**0.0%**	-0.7%	3.1%	9.9%	16.7%	16.5%
Transportation Equipment	**-0.6%**	1.2%	-0.5%	0.0%	16.1%	3.4%
Capital Goods Orders	**0.7%**	0.6%	1.1%	10.1%	25.7%	10.1%
Capital Goods Shipments	**-1.0%**	1.2%	2.4%	10.8%	12.6%	10.0%
Defense Shipments	**0.5%**	0.2%	4.5%	22.8%	27.2%	28.0%
Non-Defense, Ex Aircraft	**0.6%**	1.4%	2.4%	18.9%	13.5%	11.4%
Unfilled Orders for Durable Goods	**0.6%**	0.6%	0.6%	7.4%	9.3%	8.8%

Source: U.S. Census Bureau