

U.S. Data Review

- Durable Goods Orders: constrained by the aircraft sector

Michael Moran

Daiwa Capital Markets America
 212-612-6392
michael.moran@us.daiwacm.com

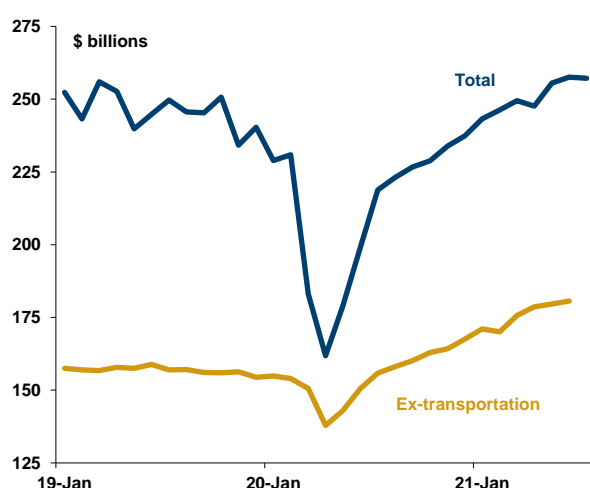
Durable Goods Orders

New orders for durable goods in July were very close to expectations. The headline figure fell 0.1 percent, a tad better than the expected decline of 0.3 percent, but results in the prior month were a bit softer than initially estimated (up 0.8 percent rather than 0.9 percent). All told, the level of bookings was about in line with expectations. Total new orders in June had moved above the best readings in the closing years of the previous expansion, and they remained above those totals despite the dip in July. (One observation in the prior expansion was firmer, an aircraft-led burst in March 2014.)

A decline in the volatile aircraft category had a strong influence on the dip in total order flows, as bookings for commercial aircraft and parts fell 48.8 percent. This sector was desperately weak last year, registering net cancellations in many months, but it has started to recover this year. Nondefense aircraft orders have been in positive territory for nine consecutive months, with respectable totals in the past six months (even with the decline in July). The auto component provided a positive surprise, increasing 5.8 percent and marking its third consecutive advance. This sector still lags readings late last year and the start of this year, but it is holding its own despite supply shortages. The improvement in the auto category provided only a partial offset to the drop in aircraft bookings, leaving the transportation category off 2.2 percent.

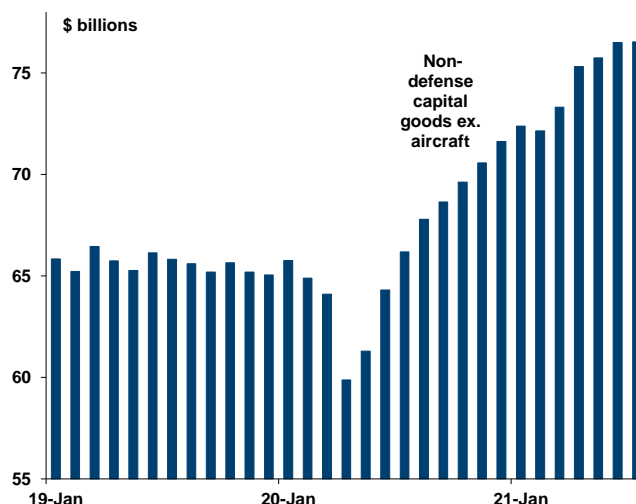
Excluding transportation, order flows have been strong. Bookings in earlier months had already moved far above all historical readings, and they advanced another 0.7 percent in July. The new level of orders was 8.7 percent above the previous record set in 2008. Firm orders for nondefense capital goods other than aircraft have played a role in the gain ex-transportation. This series was unchanged in July, but it had already moved well above the previous record total (chart, right). The new reading was 9.2 percent above the best reading before the recent surge.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

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