

# U.S. Data Review

- Durable goods orders: upward drift excluding transportation
- Pickup in shipments suggests modest advance in equipment spending in Q3

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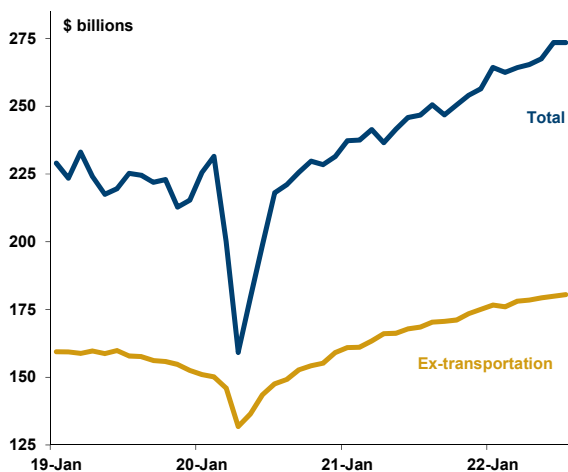
## Durable Goods Orders

New orders for durable goods were flat in July, a contrast to the expected increase of 0.8 percent. Bookings excluding transportation rose modestly (0.3 percent), almost matching the consensus view of a gain of 0.2 percent. Revisions to prior data were nondescript: total orders in June were 0.2 percent firmer than first reported, but bookings excluding transportation were 0.1 percent lighter. On balance, both total orders and bookings excluding transportation showed evidence of flattening after tilting higher in the first half of 2022 (chart, left).

Offsetting moves in transportation-related categories accounted for much of the flat performance in headline orders in July. Bookings for defense-related aircraft dropped 49.8 percent, but the move followed a surge of 78.1 percent in June that left the value of orders far above the underlying average. This area is highly volatile, and thus the reversion lower in July was unsurprising. On the plus side, orders for commercial aircraft rose 14.5 percent, retracing a portion of the ground lost earlier in the year, and bookings for motor vehicles increased for the fifth consecutive month (although the advance of 0.2 percent lagged the average gain of 2.0 percent in the prior four months). Orders excluding transportation rose for the 26<sup>th</sup> time in the past 27 months, but the impressive trend has leveled off recently. Moreover, one has to wonder about the influence of higher prices on the value of bookings.

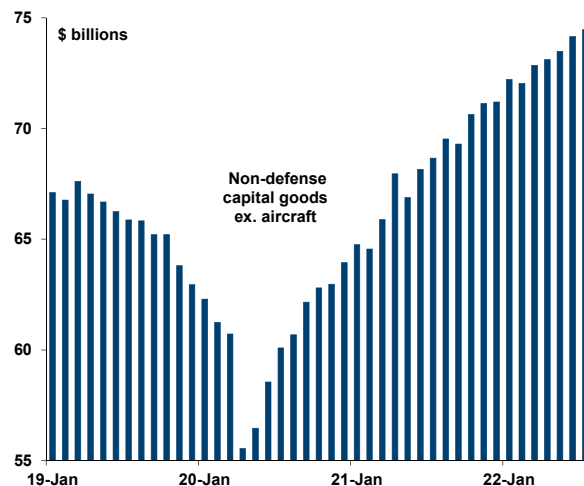
Orders for nondefense capital goods excluding aircraft, which provide insight into capital spending plans by businesses, rose 0.4 percent, but the advance likely translated to little change after adjusting for inflation (the capital equipment component of the PPI rose 0.5 percent in July). Nominal shipments of nondefense capital goods excluding aircraft increased 0.7 percent, which exceeded that advance in the PPI and implied a pickup in real bookings. Shipments data for July suggest a modest positive contribution from equipment spending to GDP growth in Q3.

### New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

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