

U.S. Data Review

- Durable goods orders: headline returns to (flat) trend after aircraft-related volatility; upward drift in bookings ex. transportation
- Capital spending: likely soft in Q3

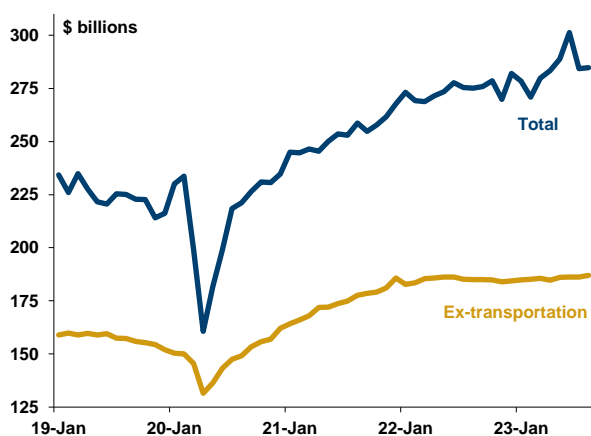
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Durable Goods Orders

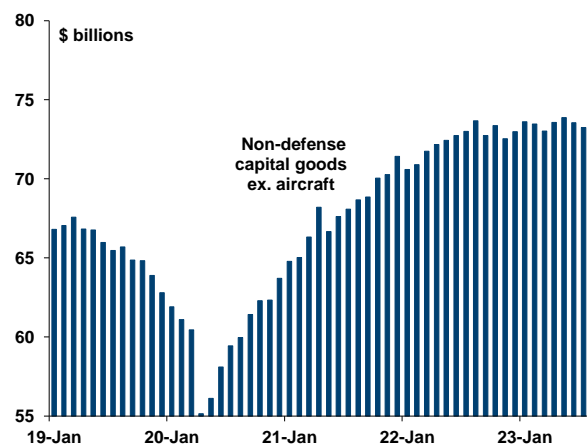
- Durable goods orders inched higher in August (+0.2 percent), but the change occurred from a downward revised reading in July (-5.6 percent versus -5.2 percent first reported). Moreover, the level of bookings in August was actually lower than the preliminary estimate for July (\$284.7 billion in August versus a preliminary reading of \$285.5 billion for July). Thus, we view this as a modestly disappointing headline print after wide swings in recent months (chart, below left).
- Much of the recent volatility in headline orders reflected large shifts in aircraft bookings. Civilian aircraft orders surged 71.1 percent in May and June combined, jumping well above the underlying trend, before plunging 54.3 percent combined in the July-August period and returning to the sideways trend. Orders for defense-related aircraft -- which were only about one quarter of total aircraft bookings as of August -- also have been noisy but somewhat less so than those for civilian aircraft (orders rose 19.2 percent in August after slipping 8.3 percent in July).
- Durable goods orders excluding transportation rose 0.4 percent. Bookings in July were revised lower (growth of 0.1 percent versus 0.4 percent first reported), but the recent upward drift in orders remained intact (chart, left).
- New orders for nondefense capital goods excluding aircraft, which give good insight into capital spending plans by businesses, rose 0.9 percent from a downward-adjusted reading in July (-0.4 percent versus +0.1 percent; chart, below right). Firms face significant headwinds from tight financial conditions and a mixed demand outlook, which is reflected in cautious order flows, but they have yet to show meaningful signs of wholesale retreat with regard to new equipment bookings.
- Nominal shipments of nondefense capital goods excluding aircraft advanced 0.7 percent in August after a decline of 0.3 percent in the prior month. Adjusting for inflation using the capital equipment component of the PPI suggests that real equipment spending in the GDP accounts could ease in Q3 after choppy results in recent quarters (including an increase of 7.7 percent, annual rate, in Q2 after a drop of 8.9 percent in Q1). However, the picture could change somewhat with the release of data for September.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

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