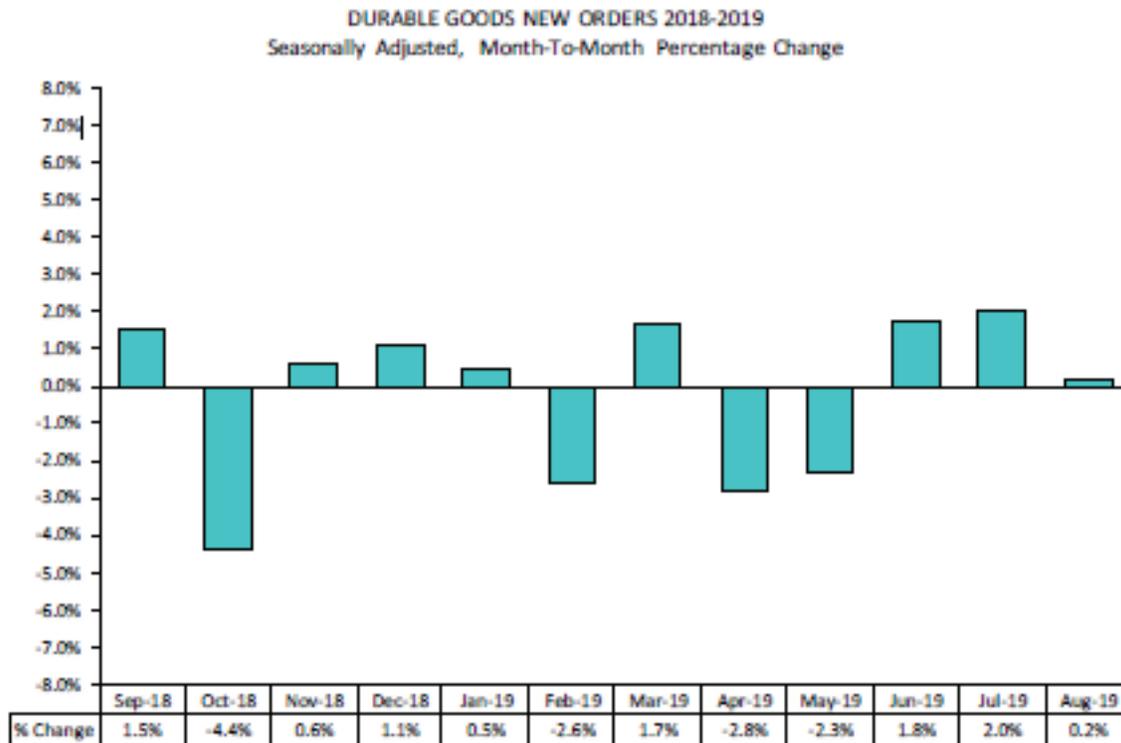


# Durable Goods Orders

	AUGUST		JULY	
	SURVEY	ACTUAL	PRIOR	REVISED
Durable Goods Orders	-1.2%	0.2%	2.0%	-
Durable Goods, Ex-Transportation	0.2%	0.5%	-0.4%	-0.5%
Capital Goods Orders, Nondefense Ex-Air	0.0%	-0.2%	0.2%	0.0%

## HEADLINES

Durable goods orders rose 0.2% in August after increasing an unrevised 2.0% in July. The number for August translates into \$454m in new orders and marks the third monthly increase in a row.



Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories, and Orders, September 27, 2019.

## WHY DO I CARE?

While the upturn is not large, it implies consistent growth in the sale of goods that have an expected life of more than one year. This is considered a leading indicator and a positive sign for economic growth.

## WAS THERE A BIG SURPRISE?

An increase that is 1.4% above expectations is not a big surprise in durable goods, which can have large swings due to the high value of individual orders for things like aircraft, which is the case in this report. Still, this is a positive surprise and is made more credible by the fact that the number has been consistently positive for three months in a row.

## DETAILS

The strength in this report came primarily from an increase in defense aircraft orders, which grew \$2.1 billion. This was largely offset by a decrease of \$1.9 billion in non-defense aircraft. In addition, auto sales went down \$0.5 billion. There was strength in primary and fabricated metals and in machinery as well.

As we noted last month, the weakness in durable goods between February and May was troublesome in that it coincided with other indicators that corporate investment and industrial activity were slowing down. In the third quarter, this weakness in manufacturing and industry seems to be moderating, and, so, it is likely to contribute positively to GDP growth rather than subtract as it did in the second quarter.

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*From the desk of Erik L. Olsen*