

U.S. Data Review

- Durable Goods Orders: a rebound in the volatile aircraft category; stirrings in other areas

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Durable Goods Orders

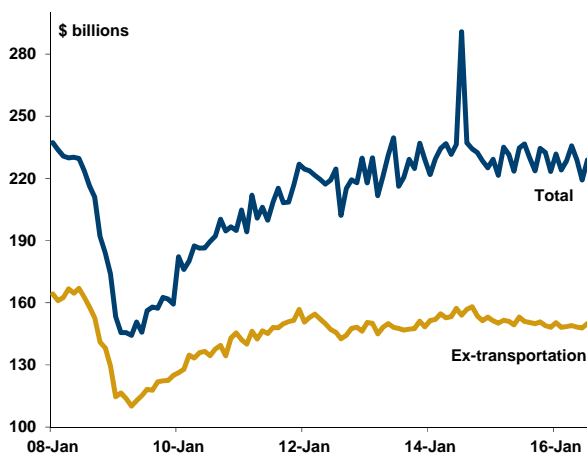
New orders for durable goods jumped 4.4 percent in July, a full percentage point more than the expected increase. Most of the growth was the result of a rebound in the volatile aircraft category, where bookings (defense and nondefense) jumped 65.1 percent, moving from the low end of the recent range to the middle portion. Other areas also performed generally well, as shown by an increase of 1.5 percent in new orders excluding transportation (versus an expected increase of 0.4 percent). Revisions in the prior month were modest, with overall growth 0.2 percentage point less than previously believed and growth ex-transportation 0.1 percentage point firmer.

The increase ex-transportation was broadly based in July. Bookings for computers stood out on a month-to-month basis with a jump of 10.3 percent, but the increase represented only a small offset to previous declines; the underlying trend remained downward. Bookings for electrical equipment rose 2.6 percent, with the increase representing a more meaningful offset to previous soft readings and suggesting the possibility of a turn. In general, the increase ex-transportation suggested a stirring in manufacturing activity, but one monthly jump in this series is not enough evidence to suggest that the downward drift is stabilizing or turning upward (chart, left). However, we are hopeful that activity is improving to a degree, as other manufacturing-related data (payrolls, industrial production) also have picked up recently.

Orders for nondefense capital goods ex-aircraft rose 1.6 percent in July, a solid month-to-month advance. The increase offset net declines in prior months and left a sideways movement for the year-to-date (chart, right). The series seems to be stabilizing, but recent results have not been firm enough to suggest a serious pickup in capital spending by businesses. Shipments of nondefense capital goods ex-aircraft also point to sluggish results in cap-ex, as shipments dipped 0.4 percent in July, marking the eighth decline in the past 10 months (no change and a small increase in the other two months).

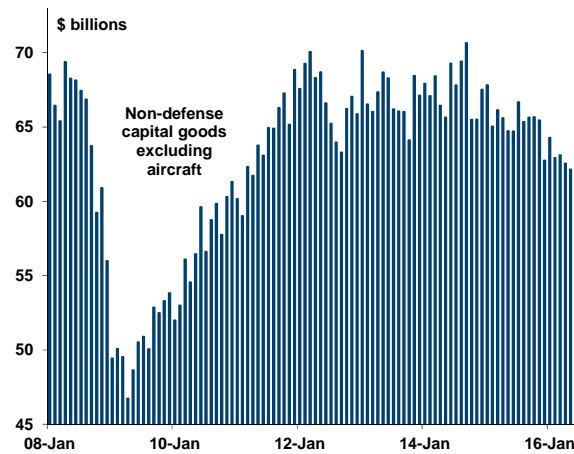
Inventories in the durable manufacturing sector rose 0.3 percent, a contrast to declines in Q2 and a suggestion that inventory investment will be adding to economic growth in Q3 rather than subtracting like it did in the second quarter.

New Orders for Durable Goods



Source: U.S. Census Bureau

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