Economic Research 24 October 2019



U.S. Data Review

US

- Durable goods orders: less than vigorous, but not recession-like
- New home sales: modest easing in September

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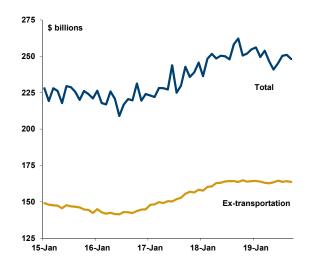
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Durable Goods Orders

New orders for durable goods slipped 1.1 percent in September, slightly weaker than the expected decline of 0.7 percent. Much of the softness occurred in the transportation category, where a drop of 11.8 percent in bookings for commercial aircraft influenced the results. Motor vehicles also contributed to the retreat in the transportation category, as orders fell for the second consecutive month after strong results in June and July. While the transportation category stood out on the soft side, results elsewhere lacked vigor, as shown by a dip of 0.3 percent ex-transportation. Orders ex-transportation have been moving sideways since the middle of last year, an interruption in the upward trend during 2017 and early 2018 but not a recession-like movement. The downward drift in the headline figure has been more pronounced because of the Boeing-related drag in orders for commercial aircraft (chart, left).

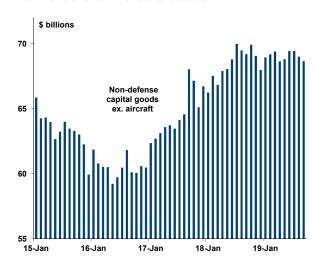
New orders for nondefense capital goods other than aircraft warrant special attention at this time because of downside risks associated with investment spending by businesses. This series fell 0.5 percent in September after a drop of 0.6 percent in August (revised from -0.4 percent). The latest changes occurred from respectable showings in the prior two months, and thus, the downward trend can still be described as mild (chart, right). Shipments of nondefense capital goods other than aircraft continued to move higher for a time, but they have started to ease in the past few months (both July and September registered declines of 0.7 percent). The easing in shipments suggests that capital spending in the GDP accounts is likely to decline in the third quarter.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



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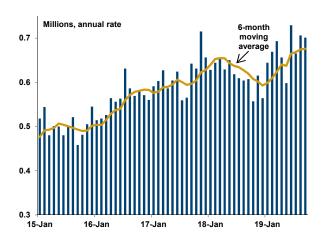
New Home Sales

US

Sales of new homes totaled 701,000 units in September, almost exactly equal to the consensus estimate of 702,000. The new reading was lighter than the total in August (706,000 revised from 713,000), but it still represented a firm performance for the current cycle (the fourth best of the current expansion, and not far below the high of 729,000 in June of this year; chart, left). Although the performance compared favorably with most recent observations, it was still light by historical standards. Sales averaged more than one million per year during the bubble period (1.155 million in the four years from 2003 to 2006), and they moved in a range of approximately 800,000 to 900,000 in the early portion of the 2000s.

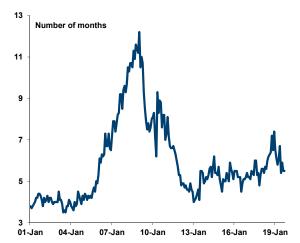
The pickup in sales this year has reduced the number of homes on the market, with the latest total of 321,000 in September trailing the peak of 347,000 in January. The drop in inventory, along with the improvement in sales, has pushed the months' supply of homes for sale to 5.5 months, down from an average of 7.0 in the fourth quarter of last year (chart, right). Despite the drop in months' supply, inventories are comfortable in the new home market, a contrast to the tight situation in the market for existing homes.

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold Homes



Source: U.S. Census Bureau via Haver Analytics