

U.S. Data Review

- Durable goods orders: constrained by aircraft; reasonably good elsewhere

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Durable Goods Orders

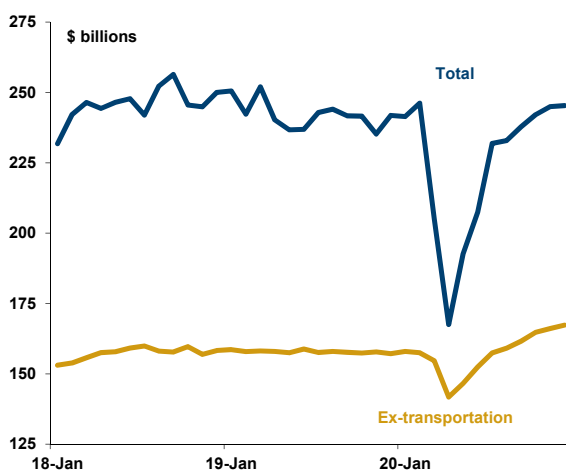
New orders for durable goods rose 0.2 percent in December, shy of the expected increase of 1.0 percent. The softness, though, was concentrated in the commercial aircraft sector, where bookings tumbled 51.8 percent. Excluding the transportation component, orders rose 0.7 percent, firmer than the expected gain of 0.5 percent. In addition, orders in the prior month were revised higher, with total orders 0.2 percent firmer than previously believed and the ex-transportation component 0.4 percent firmer.

Most components of the durable goods report continued to expand, which pushed bookings ex-transportation further above the pre-pandemic levels (5.9 percent above the January high). Total orders, even with the drag from aircraft, also compared favorably with pre-pandemic norms, having retraced 99 percent of the ground lost in the spring (chart, left).

The commercial aircraft component constrained results in December, but even this softness could be viewed in a favorable light. With the public limiting its air travel, carriers naturally have curtailed orders for new aircraft, behavior that resulted in net cancellations in five of the six months from March to August. Orders for commercial aircraft have now been in positive territory for four consecutive months. The flow is light relative to pre-pandemic norms, but they are in the plus column, suggesting that this troubled sector has likely turned a corner.

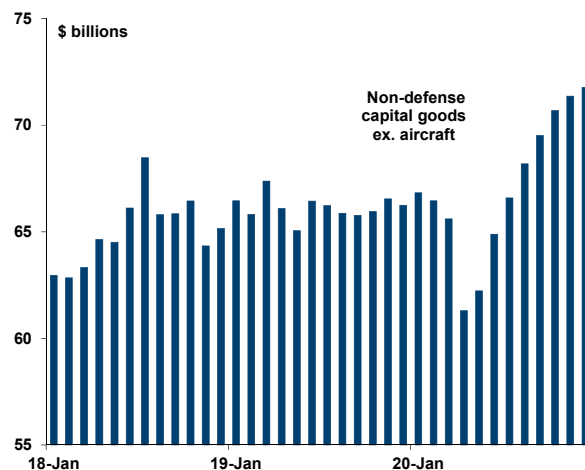
New orders for nondefense capital goods other than aircraft, a series that provides good insight into business investment in new equipment, rose 0.6 percent, the eighth consecutive increase and a larger-than-expected advance (consensus estimate of 0.5 percent). In addition, this change occurred from an upwardly revised total in November (0.4 percent firmer than previously believed). The combined changes pushed bookings 7.4 percent above the pre-Covid peak in January (chart, right). Shipments of nondefense capital goods other than aircraft also advanced (up 0.5 percent), which bodes well for business equipment spending in tomorrow's Q4 GDP report.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

New Orders for Durable Goods



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