

## **Datanote: US Durable Goods Orders, September**

**In one line: Underlying investment demand is still weak.**

- Durable goods orders fell by 0.8% in September, marginally beating the consensus, -1.0%, but the net revision was -0.9%.

- Orders ex-transportation rose by 0.4%, also above the consensus, -0.1%. Revisions were negligible.

- Nondefense capital goods orders ex-

aircraft increased by 0.5%, better than the consensus, +0.1%. Net revisions were -0.2%.

The small drop in headline orders entirely reflects a 30% slump in the volatile aircraft orders component. Underlying orders, however, increased by more than expected. That tentatively points to an improvement in the previously flat trend, given that September increase followed decent gains in August. But we think these gains more likely are a blip rather than a real shift. Most indicators

of investment intentions and demand for manufactured goods remain very weak.

In any case, the headline orders numbers in this report matter far less than nondefense capital goods shipments ex-aircraft. The latter is a direct input into the business equipment investment numbers in the national accounts.

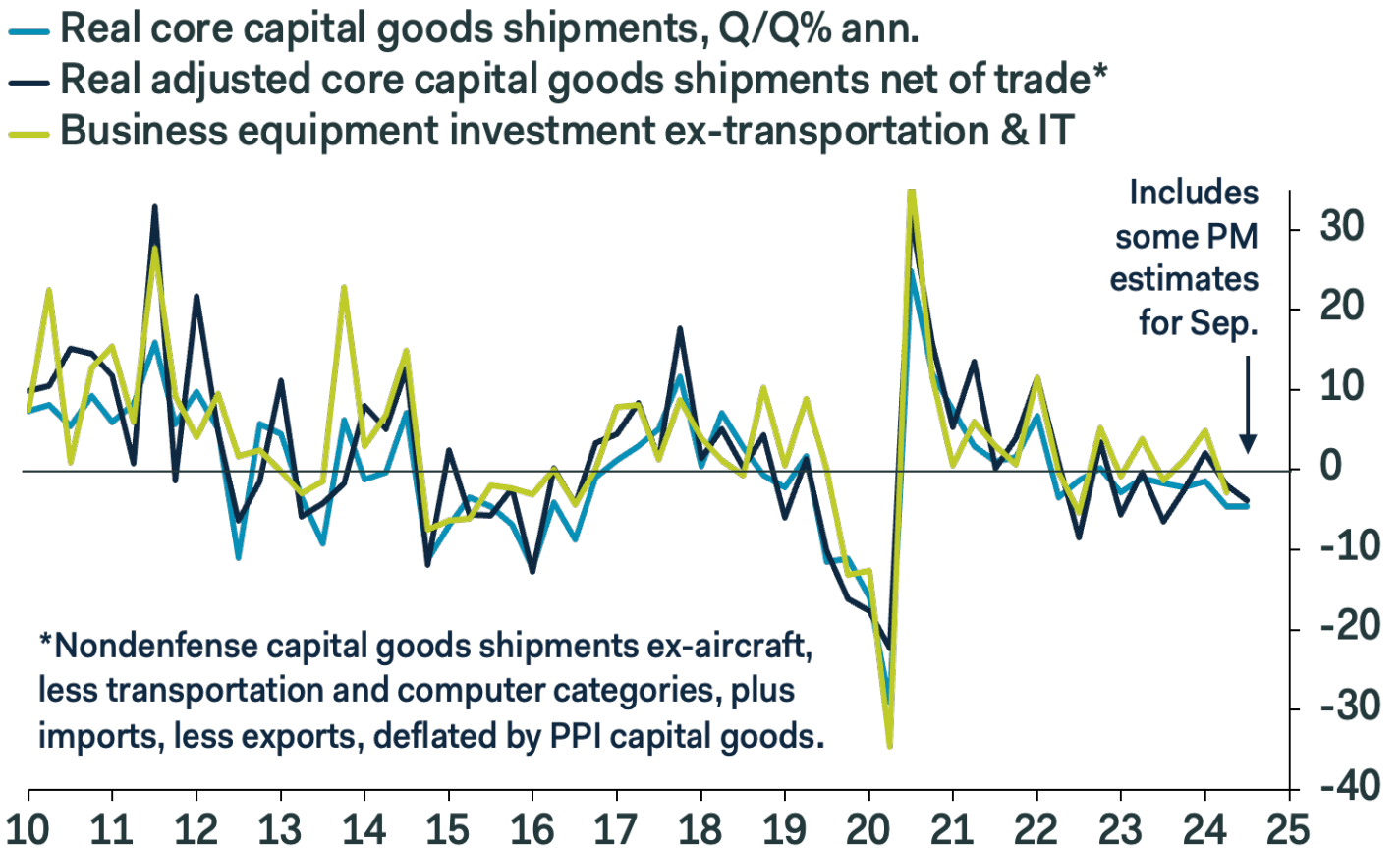
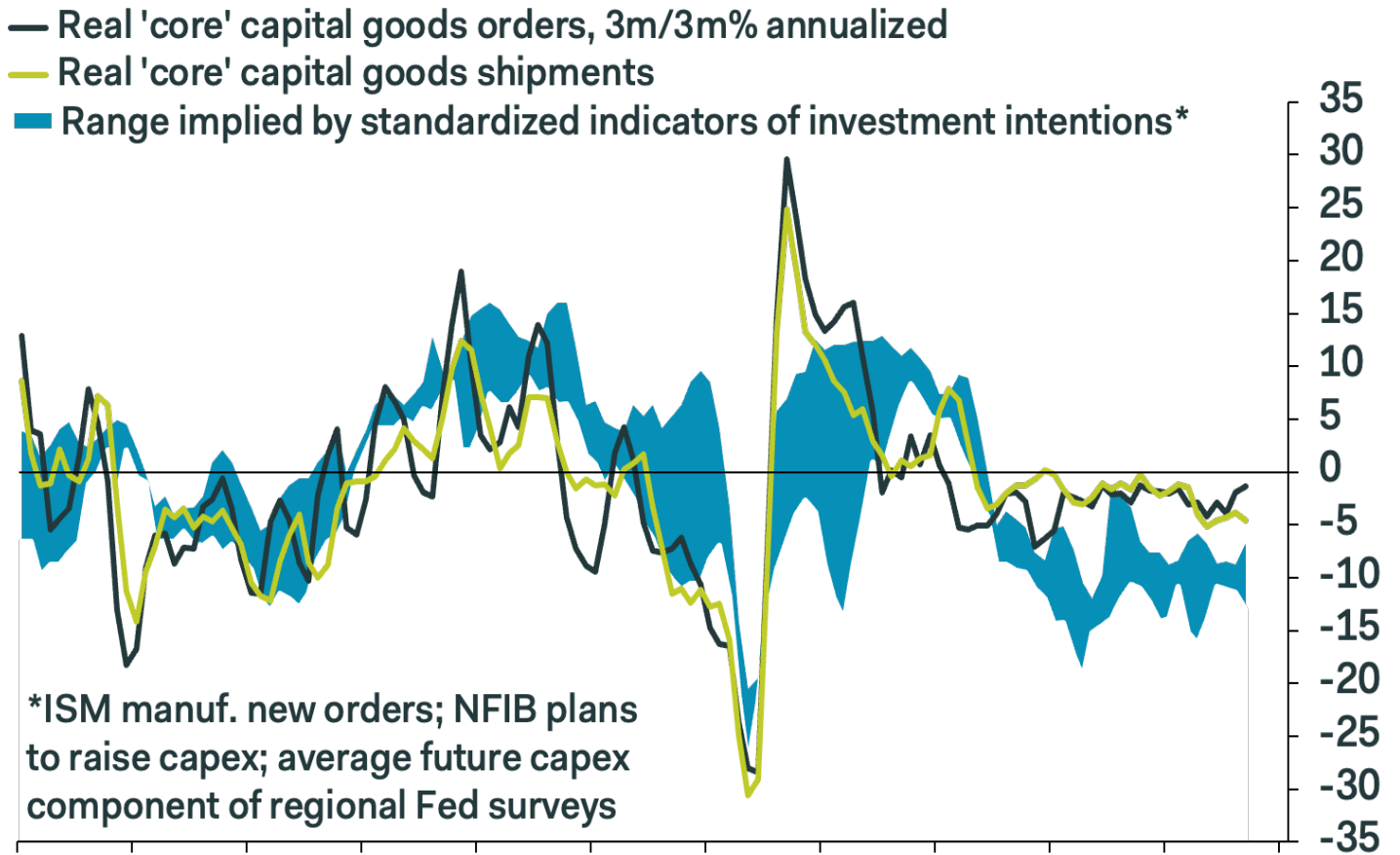
Counterintuitively, core capital goods orders do not lead core capital goods shipments reliably, and the two series can diverge significantly in the short run.

Nominal core shipments fell by 0.3% in

September, consistent with a drop of 0.5% in real terms and an annualized decline of 4.6% in Q3 overall. That looks more in keeping with the indicators of investment demand shown in our first chart. This suggests that underlying business equipment investment—excluding the volatile transportation and IT equipment components—probably also dropped back again in Q3, as our second chart shows.

That said, other data suggest that the transportation and IT equipment

components rose strongly, pushing up total capex. Aircraft investment looks on course to be exceptionally strong. After today's numbers we forecast that overall business equipment investment grew by just over 10% in Q3, roughly in line with the 11.3% increase forecast by the Atlanta Fed's GDPNow model prior to this report. The Q3 boost from aircraft investment, however, probably will unwind before long, while underlying equipment investment shows very little upward momentum. The next couple quarters likely will be far weaker.



Contrib's to q/q% ann. growth in private eq. investment, percentage points

■ Core\* ■ Computers ■ Trans. ex-aircraft ■ Aircraft ◆ Total

