

ECONOMIC ALERT

U.S. DURABLE GOODS – APR 2018

Released Friday, May 25, 2018

Durable Goods Orders: -1.7% month-over-month (Cons: -1.3%); +7.8% year-over-year

Durable Goods Shipments: -0.1% month-over-month; +7.3% year-over-year

NDCGXA Orders: +1.0% month-over-month (Cons: +0.7%); +5.9% year-over-year

NDCGXA Shipments: +0.8% month-over-month (Cons: +0.4%); +7.8% year-over-year

Quick Take:

Durable goods orders declined more than expected in April while NDCGXA orders were higher than economists' expectations. NDCGXA orders rose +1.0% in April, while March's decline was revised to -0.9% from -0.4% originally. February's gain was revised up to a +1.6% increase from +1.0%.

NDCGXA orders rebounded in April after falling in March. Taking a step back, however, NDCGXA orders have risen in just three of the last six months and are up +0.6% on a six-month annualized basis, suggesting momentum has slowed since Q3 2017. Slower growth in machinery equipment, the largest category of NDCGXA orders, has driven much of the recent deceleration. Machinery orders were up +2.5% year-over-year in April, down from +14.4% growth as of September 2017.

NDCGXA orders are a good proxy for business CapEx in the U.S. While the impacts of corporate tax reform, specifically the immediate expensing of certain capital expenditures, have yet to translate to any acceleration in business CapEx we view that the modest growth rate in NDCGXA orders is unsurprising given the progress of the current economic cycle and our outlook for continued modest economic growth. Said another way, even with the incentives from corporate tax reform, business CapEx is unlikely to meaningfully accelerate as economic fundamentals indicate that the fuel necessary to ignite another economic expansion is dwindling.

Notable Data:

NDCGXA orders were up +5.9% year-over-year as of April, up from +5.8% growth in March.

WESTEND

ADVISORS

The strength in NDCGXA orders in April was driven by increases in electrical equipment, appliances, and components (+2.6% month-over-month) and computer and electronic products orders (+1.1% month-over-month). Machinery orders, which make up approximately half of NDCGXA orders, detracted from growth in April (-0.8% month-over-month) after declining -3.2% in March.

NDCGXA shipments, which typically move in tandem with NDCGXA orders and flow into GDP readings, were also stronger than expected, rising 0.8% month-over-month in April. NDCGXA shipments were up +7.8% year-over-year, up from +6.6% growth in March. NDCGXA shipments were up +4.1% on a six-month annualized basis.