

ECONOMIC ALERT

U.S. DURABLE GOODS – JUL 2018

Released Friday, August 24, 2018

Durable Goods Orders: -1.7% month-over-month (Cons: -1.0%); +9.2% year-over-year

Durable Goods Shipments: -0.2% month-over-month; +7.5% year-over-year

NDCGXA Orders: +1.4% month-over-month (Cons: +0.5%); +8.5% year-over-year

NDCGXA Shipments: +0.9% month-over-month (Cons: +0.3%); +7.5% year-over-year

Quick Take:

Durable goods orders fell more than expected in July but NDCGXA orders were higher than economists' expectations. NDCGXA orders rose +1.4% in July, while June's rise was revised up to +0.6% from +0.2% originally.

NDCGXA orders, which are a good proxy for business CapEx, have risen consistently since the beginning of Q2. Over the last four months, NDCGXA orders have averaged a +1.2% monthly increase. On a year-over-year basis, growth in NDCGXA orders was +8.5% in July, up from +8.2% as of June and the highest pace of growth since January.

Business investment has been a consistent contributor to real GDP growth since the beginning of the year, over which time year-over-year growth in NDCGXA orders has averaged +7.1%, higher than the average growth of +6.7% in 2017. While we do not anticipate NDCGXA order growth to sustainably return to the 10%+ levels seen in the early part of the economic cycle, we do note that recent trends are worth monitoring.

Notable Data:

The strength in NDCGXA orders in July was driven by increases in computer and electronic products orders (+1.1% month-over-month) and machinery orders (+0.6%). Machinery orders, which make up approximately half of NDCGXA orders, were up +5.8% year-over-year.

NDCGXA shipments, which typically move in tandem with NDCGXA orders and flow into GDP readings, were also stronger than expected, rising +0.9% month-over-month in July. NDCGXA shipments were up +7.5% year-over-year, up from +7.3% growth in June.