U.S. Durable Goods Orders (September)

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Durable Goods: Ordering Up Some Recovery

U.S. durable goods orders rose an expected 1.0% in September, just a partial rebound from the prior month's decline of 2.6% but generally extending a modest upward trend since early summer. The gain was led by a nearly 8% bounce in machinery orders, with continuing support from primary metals. As a result, capital goods orders, excluding aircraft and defense, jumped 2.0%, virtually erasing the previous two months' declines. This reliable leading indicator of business capital spending is up 11.2% annualized in Q3 from the prior quarter, suggesting business capex will turn up in Q4 for the first time in 1½ years. However, we still expect a modest decline in Q3 capex (in tomorrow's GDP report), as flagged by a tiny decrease in nondefense capital goods shipments that quarter.

	(month/month % change)			(% change : a.r.)	
(seasonally adjusted)	**Sep**	**Aug**	**Jul**	**3-month**	**12-month**
New Orders	1.0	-2.6	4.8	12.6	-19.6
Ex. Transportation	0.9	-0.4	0.9	5.9	-16.9
Primary Metals	0.3	1.9	3.3	24.5	-31.3
Fabricated Metals	0.0	0.5	3.4	16.2	-14.9
Machinery	7.9	0.8	-7.7	1.6	-23.6
Computers	0.4	-2.8	-3.7	-21.8	-7.2
Communications	-7.0	-0.6	9.4	4.5	-5.5
Transportation	1.1	-9.1	17.8	37.6	-27.0
Electrical Equipment	-0.9	-1.5	4.1	6.5	-19.4
Non-Defense ex. Air	2.0	-0.8	-1.3	-0.7	-16.6
Shipments	0.8	-1.4	2.3	6.6	-17.1
Unfilled Orders	-0.4	-0.4	-0.1	-3.8	-11.4

The Bottom Line: Today's report corroborates what several companies (including Caterpillar, Texas Instruments and Eaton) have said in recent weeks—that business spending on machinery and equipment is turning a corner. It's still unlikely that companies will splurge on new equipment (so long as so many existing machines sit idle), but at least some firms appear willing to spend enough to keep the economy moving forward.

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