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Economic Indicator Insights

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8:30 numbers: Weak durables orders, GDP

The headline August advance durable goods reading dropped a far steeper-than-expected 13.2% (Consensus: -5.0%; Decision Economics: -4.5%), as orders for commercial aircraft and parts fell nearly $20 billion, accounting for a large portion of the $30B headline decline.

Orders of motor vehicles and parts fell 11%, neatly offsetting July's increase, that series moving sideways on net over the last four months.

There was arguably-positive news in the non-defense ex-aircraft capital goods category, a smoother indicator of demand for long-lived capital goods. That figure rose 1.1%, but on the back of a July result revised lower to -5.2%. Small increases within a broader decline are not unprecedented. Uncertainties in the political and fiscal climates, all occurring amid headwinds of slowing global demand growth, and Eurozone recession, are taking their toll.

Other detail included in the report saw machinery orders down 4.7% in August (fifth contraction in six months), computers and electronic products down 3.4%, a fourth consecutive decline, and weaker order for both primary (-1.8%) and fabricated (-0.4%) metals products. Only the relatively small "electrical equipment" category saw a rise.

FOMC doves will see justification in embarking on policy stimulus, while hawks will squarely place blame for weakness in orders on the ongoing uncertainty created by the fiscal and regulatory environments.

The Third GDP estimate for Q2 saw a large revision, to a 1.3% pace from the earlier 1.7% estimate, and the advance print of 1.5% (Consensus: 1.7%; Decision Economics: revised up 0.1% to +1.8%). The pace of consumer spending growth was revised down to 1.5%, round-tripping the upward revision in the second estimate as the estimate of services spending slipped. Major investment categories were also to blame, with residential, non-residential, and inventory growth all revised lower.