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Durable Goods: Too Stable

by Pierre Ellis*

Overall August durable goods orders meet expectations, dropping 18.2% (Consensus: -18.0%; Decision Economics: -17.5%) from a minimally revised July level. Details elsewhere where not strong, but should cause no serious concerns about the outlook.

Details

The major cause of the overall decline, as expected, was a plunge (-78.7%) in commercial aircraft orders, after a surge (+438.5%) in July. But, declines were a bit broader than that, with the total less defense and civilian aircraft still dropping 2.2%--reversing the 2.8% July increase, but not the 2.7% gain back in June.

Motor vehicles (-6.4%, after +10.0% in July) further weakened the recent picture. With that sector removed as well, the remaining total was down 1.0% in August, again cancelling out a July increase (+0.8%)--but not the very big 3.8% June increase (which was not preceded by any notable weakness).

Orders for non-defense capital goods ex aircraft followed the same general pattern of sideways motion in August (+0.6%) and July (-0.2%), following on a June jump (+5.4%)--as did other industries as a group.

Conclusion

Altogether, the three-month picture is likely to be read as suggesting a pause, after a big step up, rather than as the beginning of a turn to the worse--with the main evidence on that score being the stability of non-defense capital goods ex-aircraft. Those orders would be weaker if decisionmakers were losing faith in the outlook.

But, Fed worriers will see no reason to be less so, and the hawkish bloc will gain only a bit of confidence--stability does not offer any new encouragement to optimism.

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