



TD Economics

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Data Release: Durable goods orders jump in November, but core orders disappoint

- New orders for durable goods gained 3.8% in November, driven by a sharp increase in the volatile transportation equipment component. This compares to a market consensus call of 2.2%.
- Indeed, transportation equipment posted a 14.7% jump caused by strong expansions in aircraft orders (+54.6%).
- In turn, orders for durable goods excluding transportation equipment were up by a modest 0.3% on the month. A sizeable drop in computers and electronics orders (-4.4%), and a small decline in vehicles and parts (-0.5%) tempered the expansion in overall orders.
- Core orders (i.e., non-defense capital goods excluding aircraft) saw a decline of 1.2% on the month, well below market expectations for a 1.0% monthly gain.
- The inventories-to-shipment ratio inched up to 1.82 from 1.80 prior and it stands 0.23 points above its two-decade average.

Key Implications

- The details on this report are mixed; the headline performance was strong, but a second consecutive decline in core orders comes across as a yellow light regarding the outlook for fixed investments in machinery and equipment and durables consumption during the fourth quarter.
- This, in combination with the relatively high inventories-to-shipment ratio could be a harbinger of some softening in durable goods production in the coming months.
- Although we expect U.S. economic growth to remain on its tracks in the near future, weaker external demand and a stronger U.S. dollar will likely present some challenges to U.S. exports, in particular for durable goods.

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