

U.S. Flash

Across-the-Board Gains Drive New Durable Goods Orders

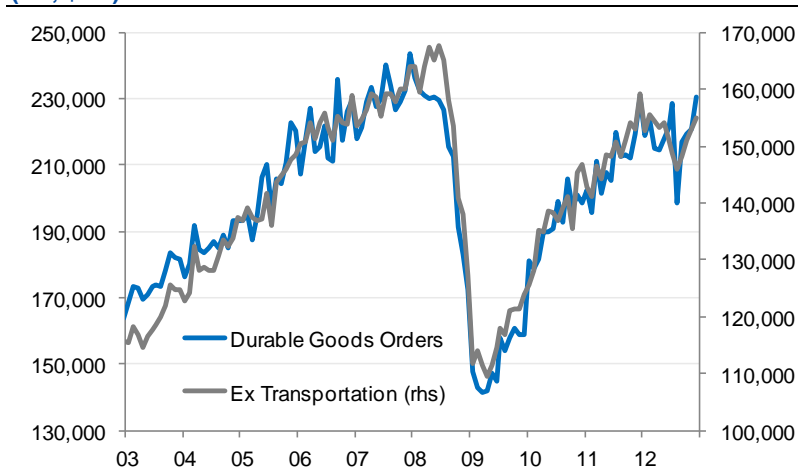
- Durable goods orders increased 4.6% in December and 1.3% excluding transportation
- Transportation was the lion's share of the increase, with aircraft orders up 23.2%
- Nondefense capital goods excluding aircraft increased for the third consecutive month

Since the collapse seen in the summer of 2012, falling as much as 13% in August, durable goods orders have maintained some consistency to finish up the year. New orders emerged strong for December, surprising to the upside as manufacturing and production seem to be picking up steam to keep up with the construction and auto industries. Rising by 4.6%, durable goods were driven mostly by much higher activity in the transportation sector. Posting the largest gain since September, transportation equipment orders increased 11.9% on an influx of defense aircraft orders, which jumped 56.4% (the largest gain in almost three years). Excluding transportation, durable goods orders rose 1.3% on across-the-board gains from industries like machinery, prefabricated metal products, and almost all of the other components. Electrical equipment was the only component to see a decline from November, down 2.4% after gaining 2.8% the month before. Capital goods orders increased 14.4% following a very modest decline in November; however, nondefense orders excluding aircraft increased only 0.25%. On the bright side, this is the third consecutive month for gains for the component and reflects at least some positive momentum for business demand moving into 2013, despite hesitation related to the fiscal cliff.

Another noticeable aspect of December's report was the decline in inventories of 0.02% for December, the first negative MoM figure posted since September 2011. This could be a response and effect of the overall increase in manufacturing and production that has emerged from certain sectors as consumer activity rebounds. This can also be noticed in the YoY figures for shipments which rose 4.8%, possibly signaling a shift in momentum.

Chart 1

Total Durable Goods Orders & Ex Transportation (SA, \$Mil)



Source: U.S. Census Bureau & BBVA Research

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