

# U.S. Flash

## Durable Goods Orders Grow for the Third Consecutive Month

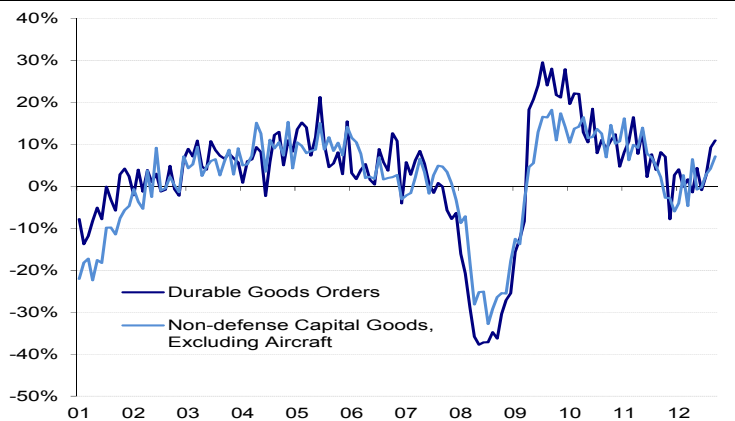
- **New orders for durable goods rose 4.2% on continued growth in aircraft orders**
- **Excluding transportation, new orders were unchanged; defense, up significantly**
- **Upward revision to May's figures show's stronger manufacturing situation**

Much higher than expected, durable goods growth has been a growing sign of strength in the manufacturing sector after many believed the industry was down and out for 1H13. New orders were up 4.2% in June as transportation continues drive the figure upward. As expected, orders were augmented heavily by aircraft & parts which was up 29.2%, possibly due to the Paris Air Show which garnered large swaths of orders from around the globe. Excluding transportation new orders remained flat for June while May's figure was revised upward slightly. Most of the drag that stunted order growth came from computer & electronic products and electrical equipment which fell 2.6% and 1.8% respectively. According to the NAICS codes for the computer and electronics component, the communications equipment sub-component declined heavily in June by 11.7% after 3 months of strong growth, aiding in crippling any growth in orders excluding transportation. Machinery helped combat the decline however, up 2.4% for the third straight month of gains. Another positive sign that is usually overlooked was the non-defense capital goods readout which tends to cover anything from railroad equipment to construction tools and medical equipment. Experiencing its first 3 month consecutive rise since 2007, nondefense capital goods rose 6.3% in June and excluding aircraft, 0.7%. In addition to stronger transportation figures, defense goods also rose by a strong clip, up 29.6% as defense capital goods also saw a significant gain of 35.2%.

Overall the results seem to be far more telling of a manufacturing sector that still has much for fight left than anticipated. With ISM figures back above 50, federal reserve surveys conveying optimism and industrial production showing a rise in June, the situation seems to be positive. Given the weaker production growth expected for 2Q13, there may be some credibility in a better outlook for manufacturing in the GDP estimate for next week. While it may not be too significant, the 6.5% QoQ growth in durable goods growth compared to a decline in 1Q13 of 1% may warrant better expectations.

Chart 1

### Durable Goods Order 3 Month Avg YoY% Change



Source: U.S. Census Bureau &amp; BBVA Research

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