

U.S. Flash

Mixed Report for Durable Goods on Weak Transport Data

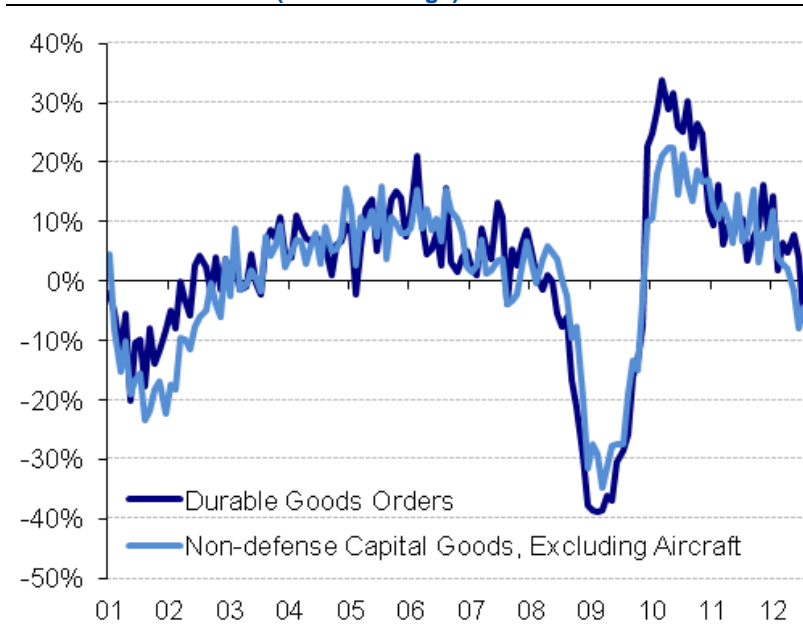
- Durable goods orders remained flat in October but rose 2.3% on a YoY basis
- Excluding transportation, orders rose 1.47% MoM, far better than the consensus

After prolific gains in September on strong growth in transportation, durable goods orders were unchanged in October as transportation shed its portion of the growth from last month. The difference is drastic: transportation grew by 29.68% MoM in September but fell in October by 3.11%, with declining figures in its subcategories as well. This difference was accounted for by the consensus but overestimated and therefore the ex-transportation figure was better than expected, up 1.5% for the month. Electrical equipment showed substantial gains of 4.06% in October, a full reverse of its 4.00% decline in the month prior. Other notable sectors were primary metals, fabricated metal products, and machinery, posting growth of 1.70%, 1.00%, and 2.80%, respectively. Overall, there is growth in most sectors and the recent natural disaster is also being digested and will show in November data and most likely December as well.

Up 2.31% YoY, new orders for durable goods are still low for the year but with moderate retail sales and ISM data moving into 4Q12 there is some optimism. On the downside, the fiscal cliff conundrum will weigh heavily on capital goods orders as companies await any clear sign of action to assess their risk of investing in new capital.

Chart 1

Durable Goods Orders (YoY % Change)



Source: U.S. Census Bureau & BBVA Research

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