

# U.S. Flash

## Durable Goods Orders Decline As Transportation Falls

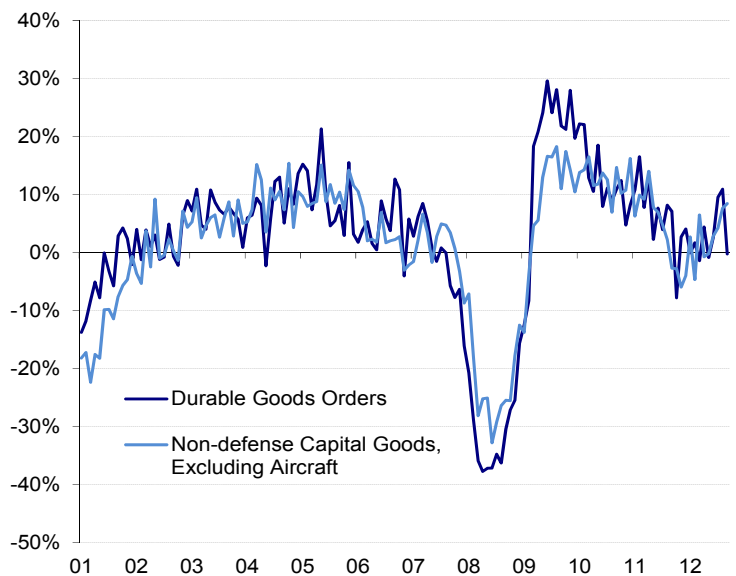
- **New orders for durable goods fell 7.3% in July as aircraft orders plummeted**
- **Excluding transportation, new orders also declined, down 0.6%**
- **Capital goods new orders down 16.1% and excluding aircraft, down 3.3%**

After 3 months of strong growth in new orders and shipments, due to strong transportation and capital goods demand, durable goods orders declined as the aforementioned drivers failed to expand for a 4<sup>th</sup> month on the trot. New orders fell 7.3%, the second largest monthly decline since the recession, as transportation equipment declined 19.4% due to a 44.3% drop in aircraft orders. As is the case with durable goods orders, aircraft invoices drive much of the headline growth while smaller capital goods tend to follow market trends. With that in mind, removing transportation from the equation new orders still declined, down 0.6% as computers and electrical equipment failed to expand in July. New orders for machinery fell in July while primary metals remained unchanged for the months after declining the month prior. New orders for fabricated metal products and “other” durable goods rose by 0.4%, the only two new orders component to not fall over the month.

The report points toward a slow global and domestic market for capital goods as the volatility of aircraft orders drags the index down and excluding transportation, the situation is no brighter. While we do not expect companies like Boeing to have another tremendous ordering spree like they had in May or June, we do expect capital goods demand to pick up in the remaining reports for 2H13 as foreign entities require more U.S. goods.

Chart 1

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



Source: U.S. Census Bureau & BBVA Research

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