Durable Goods Orders Unexpectedly Decline

Reflecting a slump in defense and civilian aircraft, durable goods orders unexpectedly dropped in November. Core orders held up better, keeping hopes alive that manufacturing activity may still be stabilizing.

Aircraft Drives Lower Order Activity
- Missing expectations for a solid gain, durable goods orders fell 2.0% month-over-month in November, largely on the volatile transportation component. Defense aircraft plunged 72.7% on the month, while civilian aircraft slipped 1.8%, despite Boeing reporting increased order activity since October. Resolution to the GM strike resulted in a rebound in motor vehicles & parts, up 1.9%, following three consecutive monthly declines.

Remaining Cautious on the Outlook
- While core capital goods orders edged up 0.1% following the second largest monthly gain this year in October, the trend in orders growth remains lackluster.
- Sluggish business sentiment, alongside cooling profit growth and lingering trade policy uncertainty, are likely to keep business capex limited. As such, industrial momentum should remain muted as the calendar turns to 2020.
