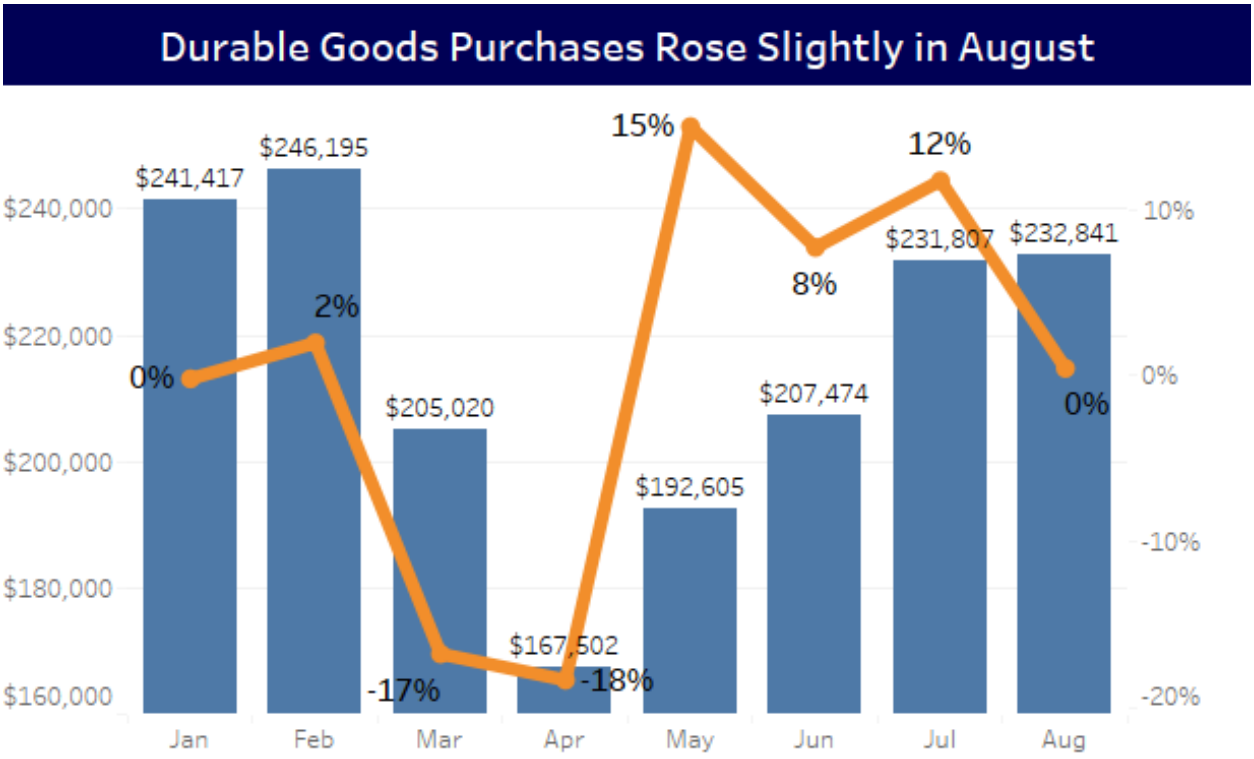
ECONOMIC VIEWPOINTS

Orders for Durable Goods Continue to Grow But Have Cooled Off

Last week, the Census Department reported that durable goods orders grew 0.4% in August. That comes after growth of almost 12% in July, 8% in June, and a record 15% in May. Those sharp monthly increases have brought durable goods orders closer to where they were in February before the pandemic sent them plummeting a combined 32% in March and April before the subsequent rebound.

Durable goods for consumers include motor vehicles and parts, computers and other electronics, and household appliances. For businesses, they include primary and fabricated metals, machinery, computers and electronics, transportation equipment, aircrafts and parts, and other similar capital products.

Why it matters: Orders of durable goods—or goods that last for a long time—are a crucial economic metric because they tell us of how much businesses are investing and how much consumers are willing to spend on more expensive items. Both groups spend more on these goods when they perceive the economy is strong and likely to continue to grow.



The good news is durable goods orders continue to grow, but they have cooled off from the torrid growth of May through July. And they remain more than 5% below the February high. They have some time to go before they reach full recovery. This trajectory likely also applies to how businesses and families view the economy right now.

“K-shaped” recovery: As with much economic data right now, durables orders are “K-shaped.” For instance, defense capital goods (+9%), computers and related goods (+8%), and communications equipment (+7%) have seen orders grow so far this year. They are on the top part of the “K.”

On the bottom of the “K” are nondefense aircraft and parts (-138%), transportation equipment (-27%), and motor vehicles and parts (-19%) among many other categories that are negative for the year.

What's next: As with all economic data, durable goods orders will follow the virus. If cases continue to decline, orders will grow and soon get back to their pre-pandemic levels. If virus cases increase, orders will slow like the rest of the economy.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce