Economic Update

July 25, 2024

Durable Goods Orders Fell Sharply in June, Pulled Lower by Transportation

- **New orders for durable goods fell almost 7% in June, the biggest one-month drop since the pandemic.**
- **A cancellation in aircraft orders was behind the drop, and there was a 1% increase in core capital goods orders.**
- **Durable goods shipments rose more than 1% in June, with a slight increase for core capital goods.**
- **Lower interest rates will support business capex spending in the near term, but growth in consumer durable goods spending will be weaker.**

New orders fell a steep 6.6% in June from May, according to the advance estimate from the Census Bureau. This was the biggest monthly drop since the pandemic and followed four straight monthly increases. Transportation orders fell more than 20%, with negative orders for aircraft and parts as airlines cancelled some of their orders. Orders were up 0.5% excluding transportation. Core capital goods orders—nondefense goods excluding aircraft, and a key measure of business investment—rose 1.0% on the month.

Shipments of durable goods rose 1.2% in June, following a 0.4% decline in May. Shipments excluding transportation goods were flat on the month. Shipments of core capital goods, which are a proxy for investment in equipment in GDP, rose a modest 0.1% over the month.

The durable goods report for June was a mixed bag. There was a huge drop in headline orders, but that came from the volatile aircraft segment, with a solid increase in core capital goods orders. Shipments of core capital goods were up slightly. According to this morning's GDP report real business investment in equipment jumped almost 12% at an annual rate in the second quarter. This pace will not be sustained, but business capital investment will increase steadily through the rest of this year and into 2025 as solid overall growth and lower interest rates support capex. Real consumer spending on durable goods rose almost 5% annualized in the second quarter, but growth will slow into 2025 as a gradually softening labor market, still-high interest rates, and spent-up demand in the wake of a surge in spending following the pandemic will be drags.

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