US Business Investment Is Stumbling Into Year-End

United States, durable goods orders/ex-transportation, m/m %, October:
Actual: -4.4 / +0.1
Consensus: -2.6 / +0.4
Scotia: -3.0 / +0.5
Prior: -0.1 / -0.6 (revised from 0.7 / 0.0)

- While headline orders including downward revisions disappointed, the bigger issue lies beneath the headline by way of underlying momentum in business investment.
- Core capital goods orders ex-defense and air were flat in October and revised down to -0.5% m/m in September (-0.1% previously). There has been no growth for three months following hefty gains over the prior four months. Business investment appears to have lost momentum which is unusual for this point in the cycle given capacity constraints. It's possible that a breather is being taken after prior strong gains. An alternative theory involves concern about investing in the US given trade frictions with the rest of the world and the tariff effects upon input prices and market access.
- For Q4 GDP tracking purposes, however, it's shipments that matter. Core shipments were up 0.3% m/m after two prior declines. After an 8.1% q/q annualized rise in Q3, Q4 is off to a weak start with tracking at 1.5%.
- Core orders are tracking down 11.6% q/q SAAR, however, and so the 9.8% advance in Q3 is at risk of being fully unwound.

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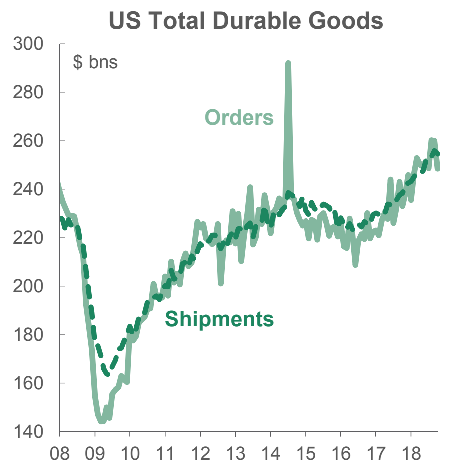
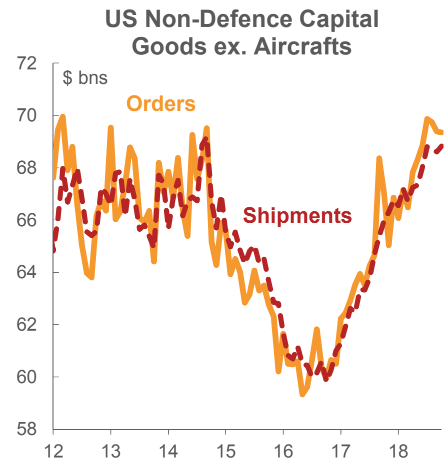


Sources: Scotiabank Economics, US Census Bureau.



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