

Durable Goods Orders Much Stronger than Expected

In a welcome surprise, durable goods orders at U.S. manufacturers jumped 1.8 percent in May. The consensus was looking for a decline of roughly one percent. After last month's 1.8 percent gain, this represents a change in momentum for manufacturers and another sign that the recession is losing steam.

Orders Jumped, Recession is on the Way out

- The back-to-back gains in durable goods orders represent the largest two month increase since before this recession began and is the latest evidence that growth will likely return to the U.S. economy in the second half of this year.
- Computer and electronics products orders increased 2.2 percent in May. While this series has a tendency to be volatile, the 3-month annual rate is now back in positive territory.

More Strength Seen in Business Spending

- Nondefense capital goods orders ex-aircraft—a yardstick of business spending—jumped by the largest amount since 2004. While this likely reflects payback after businesses went into lockdown after the Lehman Brothers fiasco, a gain is still a gain.
- Inventories dropped for the fifth straight month. The drawdown in inventories in the first half of the year sets the stage for a recovery in the second half.

