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Chart of the week: US durable goods orders continue to trend up [1]

Written by **Gabriel Stein** [2] | Wednesday 28 August 2013

Summary: Signs that the US economy will remain weak in H2 2013 are multiplying

What the chart shows: The chart shows the level of orders for US for and shipments of durable goods (ie, manufactured goods intended to last for some years) excluding defence and transport

Why is the chart important: The Federal Reserve has made it clear that it intends to start the process of tapering ? reducing ? its quantitative easing sometime this fall ? most likely in September. This is a sign that the Fed believes that the US economy has now gained enough traction. While most likely a correct assumption, there are also an increasing number of signs that growth during the second half of 2013 will remain below trend (estimated at 2-2½%). One of these is the weakness in durable goods orders, even when excluding the volatile defence and transport data. Both orders and shipments (the data used for GDP calculations is based on shipments, not orders) are barely above their levels when the Great Recession began. This confirms other data, including business surveys, which point to weak, although still positive, corporate activity ? and hence output growth.

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