Economic Indicator — January 26, 2026

Solid Gain in Durable Goods Orders

Summary

The biggest monthly increase in durable goods orders in six months is largely a reflection of a surge in civilian aircraft orders, though a broadening base of categories was driving business spending as 2025 was winding down. Core capital goods orders and shipments remain in-line with our expectation for modest growth in 2026.

Economist(s)

Shannon Grein
Economist | Wells Fargo Economics
shannon.grein@wellsfargo.com | 704-410-0369

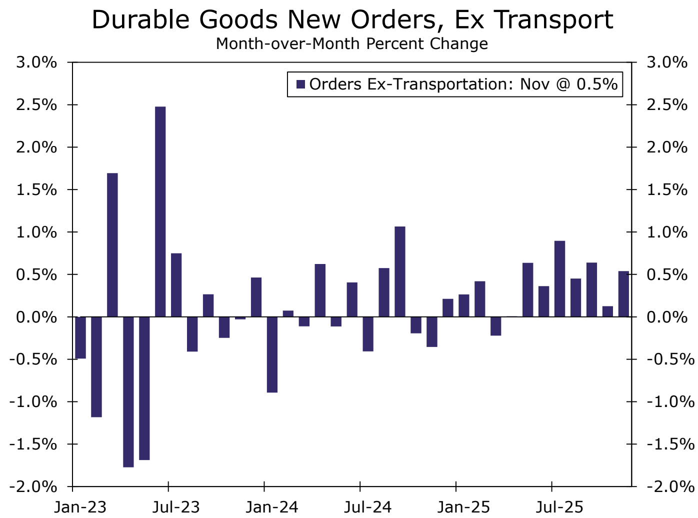
Tim Quinlan
Senior Economist | Wells Fargo Economics
Tim.Quinlan@wellsfargo.com | 704-410-3283

More Than Just Aircraft & Tech

Durable goods orders came in a bit stronger than expectations in November with a 5.3% monthly pickup, the biggest sequential gain in six months. A near doubling in non-defense aircraft orders lifted the headline higher, despite the second straight decline in the other key transportation category, motor vehicles.

Stripping away the volatile transportation sector, there has been an incipient rebound in and gradual broadening of orders activity in orders ex-transportation. That continued here in November with a 0.5% monthly pick-up in the ex-transportation category. The primary drivers of orders activity over the past year or so have been categories that benefit from the tech build-out such as electrical equipment and computers & electronic components, both of which notched gains in November.

Encouragingly though, orders for fabricated metals (+1.0%) and machinery (+0.5%) both showed that some of the old line categories are seeing some action as well. This follows our narrative which continues to center around high-tech investment dominating spending this year, though favorable tax changes providing some support to other areas of traditional equipment investment as well around the margins.



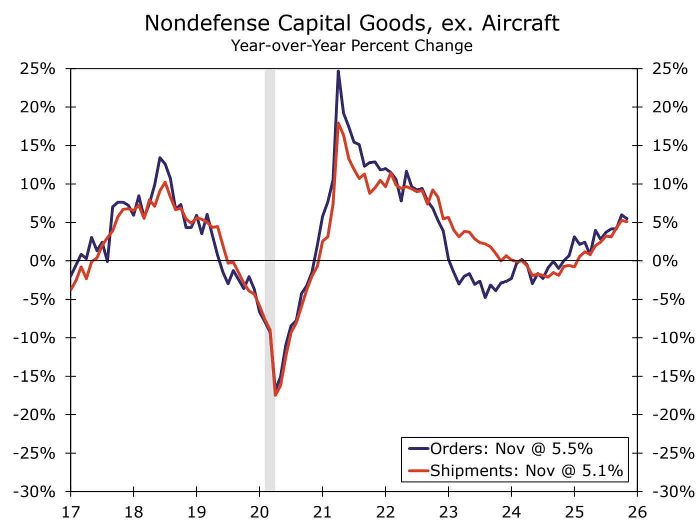
Source: U.S. Department of Commerce and Wells Fargo Economics

Sustained Momentum in Core Capital Goods

As we frame our thinking for both how fourth quarter business spending will shake out and what the capital spending climate looks like in 2026, it is helpful to look at the core capital goods series which excludes defense spending and aircraft orders. Shipments of these core capital goods give an indication of current quarter spending, so the 0.4% gain in November, while modest, is a bit better than the 0.3% that was the consensus expectation. So perhaps a slight upward bias toward our Q4 equipment spending forecast of 2.9% annualized growth.

Orders, meanwhile, for core capital goods also exceeded modest expectations rising 0.7% in November. While that exceeded the 0.3% expectation, it did however come on the heels of a downward revision to the prior month's increase. Taken together, it is still a better than the expected outcome, but only modestly so.

On balance, today's data suggests a somewhat better finish to 2025, but does little to change our expectations for 2026. A more supportive fiscal policy environment and a less restrictive monetary policy backdrop together ought to be fertile ground for capital spending to show growth in 2026.



Source: U.S. Department of Commerce and Wells Fargo Economics

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Economics Group

Tom Porcelli	Chief Economist	212-214-6422	Tom.Porcelli@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Anagha Sridharan	Economic Analyst	704-410-6212	Anagha.Sridharan@wellsfargo.com
Andrew Thompson	Economic Analyst	704-410-2911	Andrew.L.Thompson@wellsfargo.com

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