

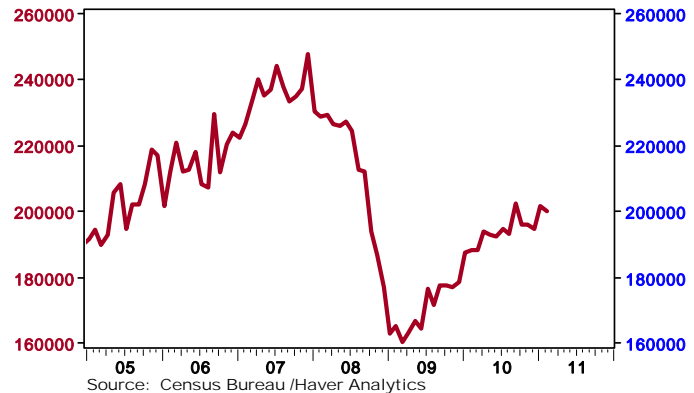
## FEBRUARY DURABLE GOODS

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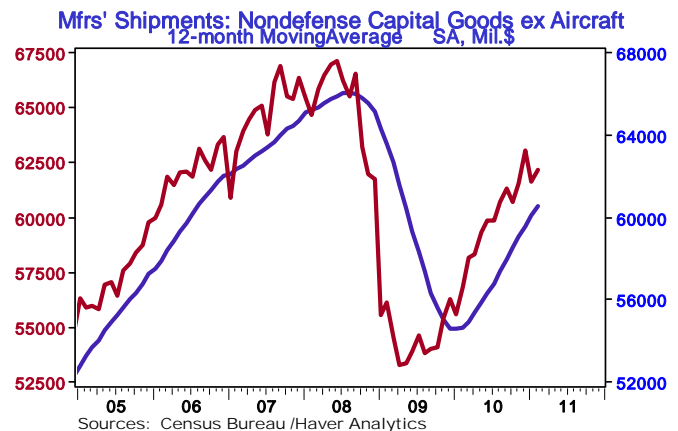
- New orders for durable goods declined 0.9% in February versus a consensus expected gain of 1.2%. Orders were revised up slightly for January. New orders are up 6.2% from a year ago. Excluding transportation, orders declined 0.6% in February versus a consensus expected gain of 2.0%. Ex-transportation orders are up 8.5% from a year ago.
- The overall decline in orders was led by industrial machinery, defense aircraft, and primary metals. Orders increased for civilian aircraft, motor vehicles, and fabricated metals.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.8% in February, a partial rebound from last month's decline. If these shipments are unchanged in March, they will be up at a 1.2% annual rate in Q1 compared to the Q4 average.
- Unfilled orders rose 0.4% in February and are up 4.4% from last year.

**Implications:** A mixed bag of data this morning, with the labor market continuing to improve in March but new orders for durable goods coming in less than expected in February. New claims for unemployment insurance fell 5,000 last week to 382,000, their fifth time below 400,000 in the past seven weeks. The four-week moving average fell to 385,000, the lowest level since July 2008. Continuing claims for regular state benefits fell 2,000 to 3.72 million. New orders for durable goods were disappointing overall, although the weakest categories suggest overall orders will soon turn up. Orders for industrial machinery fell the most of any category but have been even more volatile than usual lately and are still up 12.4% in the past year. The next weakest category was defense aircraft, which is extremely volatile. Meanwhile, shipments of "core" capital goods (which exclude civilian aircraft and defense) rose 0.8% in February after falling last month. This important measure of shipments, which the government uses to calculate GDP, has increased in ten of the last twelve months. Given near record corporate profits, already record-breaking cash on the balance sheet, relatively low borrowing rates in the corporate sector, a recent rise in commercial and industrial lending, plus full expensing for tax purposes for 2011, business investment is likely to bounce substantially in the next several months.

Manufacturers' New Orders: Durable Goods  
SA, Mil.\$



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft  
SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Feb-11	Jan-11	Dec-10	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>-0.9%</b>	3.6%	-0.6%	8.3%	7.2%	6.2%
<i>Ex Defense</i>	<b>0.4%</b>	2.8%	-0.5%	11.4%	9.2%	8.2%
<i>Ex Transportation</i>	<b>-0.6%</b>	-3.0%	2.7%	-3.6%	5.5%	8.5%
<i>Primary Metals</i>	<b>-2.1%</b>	2.9%	-2.0%	-5.1%	31.6%	17.8%
<i>Industrial Machinery</i>	<b>-4.2%</b>	-12.7%	16.3%	-10.2%	-2.3%	12.4%
<i>Computers and Electronic Products</i>	<b>0.6%</b>	-5.1%	0.1%	-16.5%	-7.7%	6.3%
<i>Transportation Equipment</i>	<b>-1.9%</b>	29.6%	-12.0%	56.5%	12.4%	-0.2%
<b>Capital Goods Orders</b>	<b>-1.3%</b>	9.7%	-3.8%	17.6%	4.6%	2.0%
<b>Capital Goods Shipments</b>	<b>1.3%</b>	-3.6%	3.4%	3.5%	0.8%	3.8%
<i>Defense Shipments</i>	<b>2.5%</b>	-7.9%	2.4%	-12.5%	-14.2%	-24.8%
<i>Non-Defense, Ex Aircraft</i>	<b>0.8%</b>	-2.3%	2.4%	3.7%	4.7%	9.3%
<b>Unfilled Orders for Durable Goods</b>	<b>0.4%</b>	0.7%	-0.2%	3.6%	7.1%	4.4%

Source: Bureau of the Census