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April Durable Goods

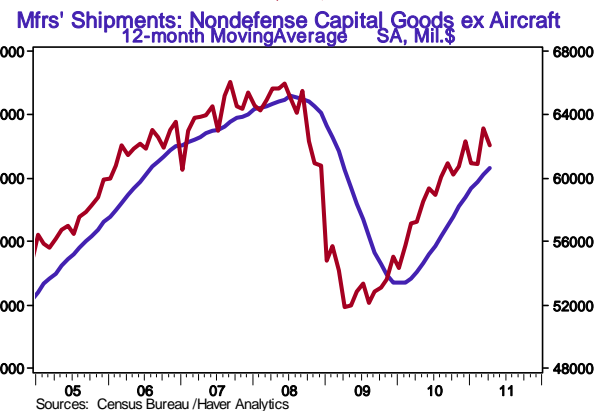
- New orders for durable goods fell 3.6% in April versus a consensus decline of 2.5%. Orders excluding transportation were down 1.5% in March. The consensus expected an increase of 0.5%. From a year ago, overall new orders are up 5.3%, while orders excluding transportation orders are up 6.7%
- The overall decline in orders was led by civilian aircraft, autos, and machinery. The only increase in new orders was for computers and electronic parts.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure fell 1.7% in April after rising 3.7% in March.
- Unfilled orders rose 0.2% in April and are up 5.2% from last year.

Implications: New orders for durable goods fell 3.6% in April after an upwardly revised 4.4% gain in March. The April decline was larger than the consensus anticipated but should not have been a surprise. As we pointed out in this week's Monday Morning Outlook ([link](#)), Boeing orders – which are very volatile from month to month – were weak in April, the supply of auto parts from Japan is temporarily stalling motor vehicle activity, and the first month of each quarter has been weak of late, with rebounds later in each quarter. In other words, today's report does not indicate a persistent slowdown in the economy. Shipments of "core" capital goods (which exclude civilian aircraft and defense) fell 1.7% in April but that came after a steep increase in March. These shipments are up 8.5% versus a year ago and up at a 7.5% annual rate in the past three months. Moreover, unfilled orders for these core shipments increased 0.9% in April and are up 13.5% versus a year ago. Given record corporate profits and 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 over the next several years. In other news this morning, the FHFA index, a measure of prices for homes financed with conforming mortgages, declined 0.3% in March and is down 5.9% versus a year ago. The index is now the lowest since late 2003.

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



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



Durable Goods All Data Seasonally Adjusted	Apr-11	Mar-11	Feb-11	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-3.6%	4.4%	-1.1%	-1.7%	6.6%	5.3%
Ex Defense	-3.6%	4.1%	0.6%	3.9%	5.9%	6.8%
Ex Transportation	-1.5%	2.5%	-0.6%	1.2%	13.0%	6.7%
Primary Metals	-1.6%	7.3%	-8.3%	-11.9%	37.8%	19.4%
Industrial Machinery	-3.4%	7.9%	-1.1%	12.7%	12.3%	16.1%
Computers and Electronic Products	0.7%	-3.6%	1.3%	-6.2%	0.5%	-2.3%
Transportation Equipment	-9.5%	10.3%	-2.4%	-10.0%	-10.1%	1.1%
Capital Goods Orders	-7.1%	5.9%	-0.4%	-8.1%	-6.0%	1.5%
Capital Goods Shipments	-1.9%	3.6%	0.5%	8.6%	3.2%	4.1%
Defense Shipments	-4.5%	3.6%	2.2%	4.4%	-10.8%	-19.6%
Non-Defense, Ex Aircraft	-1.7%	3.7%	-0.2%	7.5%	6.2%	8.5%
Unfilled Orders for Durable Goods	0.2%	0.7%	0.5%	5.5%	5.4%	5.2%

Source: Bureau of the Census