

January Durable Goods

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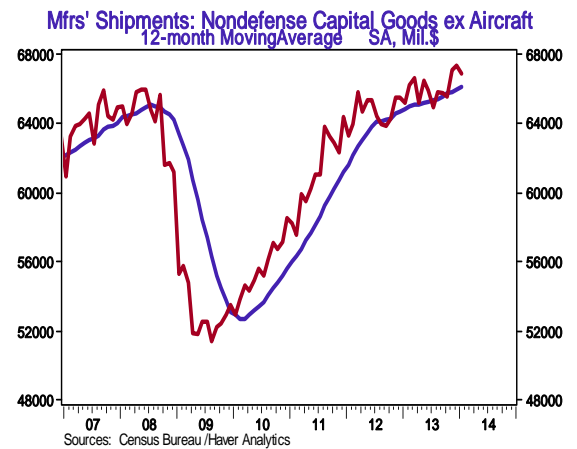
- New orders for durable goods declined 1.0% in January, beating the consensus expected decline of 1.7%. (Including revisions to prior months, durables declined 2.2%.) Orders excluding transportation rose 1.1% in January, beating the consensus expected decline of 0.3%. Including revisions to prior months, orders ex-transportation were up 0.5%. Orders are up 4.6% from a year ago, while orders excluding transportation are up 1.2%.
- The decline in overall orders was led by civilian aircraft, autos, and primary metals. The largest gain was for fabricated metals.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.8% in January. If unchanged in February and March, these shipments will be unchanged in Q1 versus the Q4 average.
- Unfilled orders increased 0.1% in January and are up 7.1% from last year.

Implications: Durable goods declined 1% in January, but the loss was not as large as the consensus expected and was primarily due to a large drop in aircraft orders, which are extremely volatile from month to month. Orders excluding transportation rose 1.1% in January, the largest gain in eight months, led by fabricated metals. Although shipments of “core” capital goods, which exclude defense and aircraft, slipped 0.8% in January, we think that part of the report was hurt by weather, which slowed all sorts of business activity around the country last month. And, despite the drop in January, shipments of core capital goods are up at a 6% annual rate in the past six months. We still believe both orders and shipments will accelerate in 2014. Consumer purchasing power is growing and debt ratios are low, leaving room for an upswing in appliances. Meanwhile, businesses have record profits and balance sheet cash, leaving more room for business investment. Looking ahead, perhaps the best news in today’s report was that unfilled orders for core capital goods rose 0.8% in January, hitting a new record high, and are up 9% from a year ago. In other news this morning, initial claims for unemployment insurance increased 14,000 last week to 348,000. Continuing claims increased 8,000 to 2.96 million. Plugging these figures into our payroll models suggests a February gain of 165,000. This forecast, which may change in the week ahead, is slightly higher than the 150,000 the consensus expects.

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



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



Durable Goods All Data Seasonally Adjusted	Jan-14	Dec-13	Nov-13	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.0%	-5.3%	2.7%	-13.9%	0.3%	4.6%
Ex Defense	-1.8%	-4.4%	2.9%	-12.8%	2.3%	4.5%
Ex Transportation	1.1%	-1.9%	0.2%	-2.4%	0.6%	1.2%
Primary Metals	-2.3%	-2.5%	-0.7%	-20.0%	-1.3%	7.0%
Industrial Machinery	-0.4%	2.5%	3.2%	23.4%	11.0%	1.5%
Computers and Electronic Products	4.7%	-8.5%	0.8%	-13.0%	-1.8%	1.7%
Transportation Equipment	-5.6%	-12.0%	8.1%	-34.9%	-0.5%	13.6%
Capital Goods Orders	-1.8%	-8.6%	7.4%	-13.5%	2.5%	6.9%
Capital Goods Shipments	-1.1%	0.0%	2.1%	4.1%	4.7%	3.7%
Defense Shipments	-1.9%	-8.8%	10.5%	-4.7%	7.6%	5.0%
Non-Defense, Ex Aircraft	-0.8%	0.3%	2.4%	7.9%	6.0%	2.6%
Unfilled Orders for Durable Goods	0.1%	0.2%	0.9%	4.7%	5.5%	7.1%

Source: Bureau of the Census