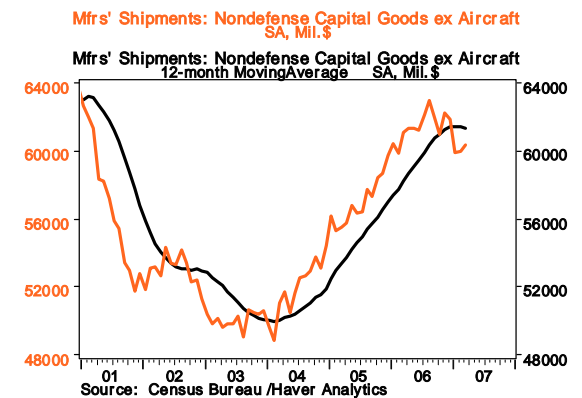
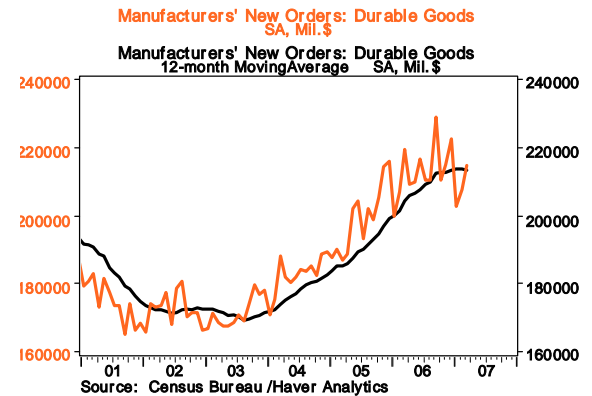


MARCH DURABLE GOODS

Chief Economist - Brian S. Wesbury
Senior Economist - Robert Stein, CFA
Economic Research Analyst - Trevor D. Scott

- New orders for durable goods increased 3.4% in March, more than the consensus expected rise of 2.5%. New orders excluding transportation gained 1.5% versus a consensus expected gain of 1.1%. Orders in February were revised up to a 2.4% increase from a previous estimate of 1.7%.
- The strength in new orders was mostly in transportation equipment, with civilian aircraft and parts up 37.6% and motor vehicles and parts up 3.3%. Orders for industrial machinery also contributed a large part of the gain, increasing 4.2%.
- When calculating business investment for the GDP accounts, the Commerce Department uses non-defense capital goods shipments excluding aircraft. That indicator increased 0.7% in March but the figure for February was revised down to unchanged from a previous estimate of 0.8%.
- Unfilled orders increased 1.8% in March and are up 19.8% versus a year ago, larger than any year-to-year increase from 1980 to 2005. Unfilled orders for non-defense capital goods excluding aircraft increased for the 29th straight month (last month's drop was revised away) and are up 17.4% versus a year ago.



Implications: Today's report on durable goods suggests firms are increasing their propensity to expand capacity and production growth will be sustained given the substantial backlog of orders. New orders for capital goods, excluding aircraft and defense, rose 4.7%, the largest gain since September 2004. However, the revival of business spending came too late in the first quarter to have much of an influence on that quarter's real GDP (to be reported Friday). We expect business fixed investment (equipment and software plus buildings) to be close to unchanged in the first quarter, with noticeably better numbers arriving later this year.

Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-07	Feb-07	Jan-07	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	3.4%	2.4%	-8.8%	-13.1%	-12.0%	-2.1%
Ex Defense	4.5%	2.6%	-8.6%	-8.0%	-6.3%	-0.4%
Ex Transportation	1.5%	-0.4%	-3.3%	-8.7%	-3.6%	-0.5%
Primary Metals	2.5%	-3.7%	1.2%	-0.8%	-1.9%	5.4%
Industrial Machinery	4.2%	1.1%	-10.0%	-19.3%	-5.9%	4.5%
Computers and Electronic Products	-0.1%	3.9%	-8.6%	-19.0%	-10.2%	-9.1%
Transportation Equipment	8.0%	10.2%	-21.1%	-22.3%	-27.5%	-5.7%
Capital Goods Orders	8.2%	8.8%	-18.3%	-14.6%	-25.5%	-0.6%
Capital Goods Shipments	0.5%	-0.5%	-2.0%	-7.8%	-5.2%	-0.3%
Defense Shipments	-2.7%	1.6%	0.3%	-3.1%	8.8%	4.6%
Non-Defense, Ex Aircraft	0.7%	0.0%	-3.1%	-9.4%	-5.0%	-1.2%
Unfilled Orders for Durable Goods	1.8%	1.1%	0.3%	13.6%	18.6%	19.8%

Source: Bureau of the Census