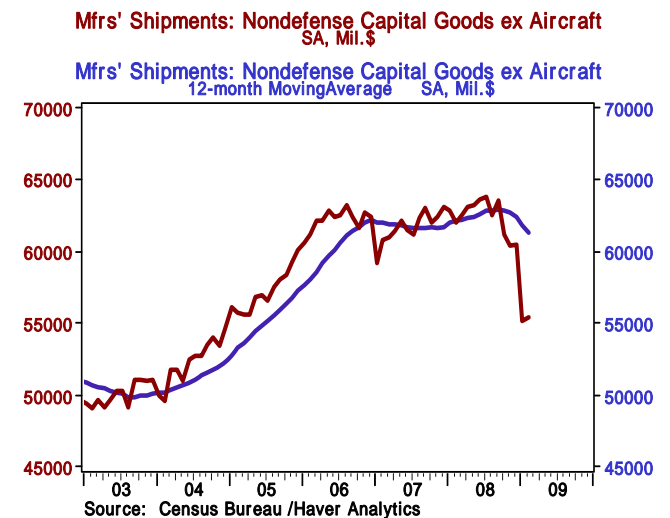
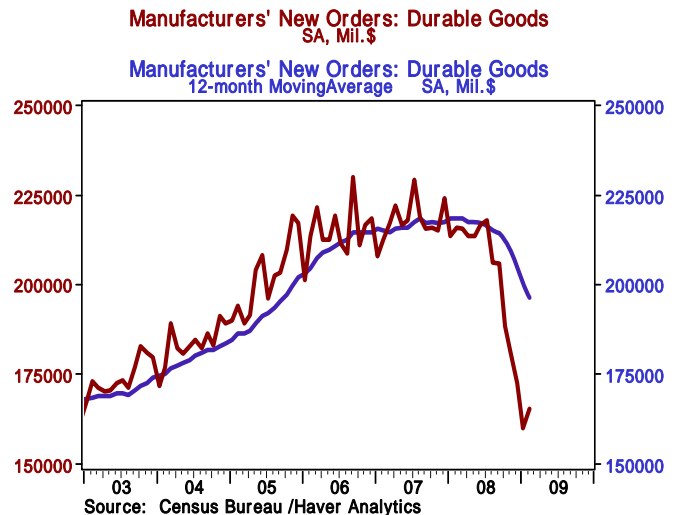


FEBRUARY DURABLE GOODS

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- New orders for durable goods increased 3.4% in February, much better than the consensus expected decline of 2.5%. Excluding transportation, orders rose 3.9%, also easily beating the consensus expected decline of 2.0%. Orders are down 23.4% versus a year ago and down 16.2% excluding transportation.
- Almost every major category of orders increased in February, with the greatest strength in machinery and computers/electronics.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure increased 0.6% in February, but January was revised to -8.9% from a previously reported -6.7%. If these shipments are unchanged in March, the Q1 average will be down at a 31.1% annual rate versus the Q4 average.

Implications: The recent change in the tone of data is unmistakable. In the past few weeks, indicators of economic activity have generally come in better than expected. These include retail sales, the Philly Fed Index (a measure of manufacturing in the Philly region), existing home sales, the Richmond Fed Index (a measure of manufacturing in the mid-Atlantic region), and now orders for durable goods. These reports signal that the recession is quickly losing steam and is consistent with our forecast that it will be over by mid-year, much earlier than the consensus expects. Monetary velocity is clearly picking up. Orders for durable goods increased 3.4% in February, the first gain in seven months. Although January orders were revised down, February orders were still up 0.6% net of the revision, which is welcome news. Shipments of “core” capital goods (excluding defense and aircraft) were up 0.6% in February, but were down 1.6% including the revision for January (so February shipments were down 1.6% versus *last month’s* report for January).



Durable Goods <i>All Data Seasonally Adjusted</i>	Feb-09	Jan-09	Dec-08	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	3.4%	-7.3%	-4.6%	-30.1%	-35.5%	-23.4%
<i>Ex Defense</i>	1.7%	-4.0%	-7.6%	-33.7%	-37.3%	-24.7%
<i>Ex Transportation</i>	3.9%	-5.9%	-5.7%	-27.6%	-31.8%	-16.2%
<i>Primary Metals</i>	-0.6%	-6.4%	-11.7%	-54.6%	-62.4%	-38.5%
<i>Industrial Machinery</i>	13.5%	-10.0%	-9.5%	-27.1%	-36.1%	-13.1%
<i>Computers and Electronic Products</i>	5.6%	-7.6%	-6.8%	-31.4%	-22.9%	-12.3%
<i>Transportation Equipment</i>	2.0%	-11.9%	-1.2%	-37.7%	-45.7%	-40.4%
Capital Goods Orders	11.0%	-14.8%	-3.3%	-30.3%	-36.2%	-25.3%
Capital Goods Shipments	-0.2%	-5.0%	1.4%	-14.6%	-16.2%	-7.2%
<i>Defense Shipments</i>	16.4%	3.5%	-7.5%	54.2%	25.0%	20.2%
<i>Non-Defense, Ex Aircraft</i>	0.6%	-8.9%	0.1%	-29.3%	-21.4%	-10.7%
Unfilled Orders for Durable Goods	-1.3%	-2.0%	-1.5%	-17.9%	-12.4%	-1.7%

Source: Bureau of the Census