

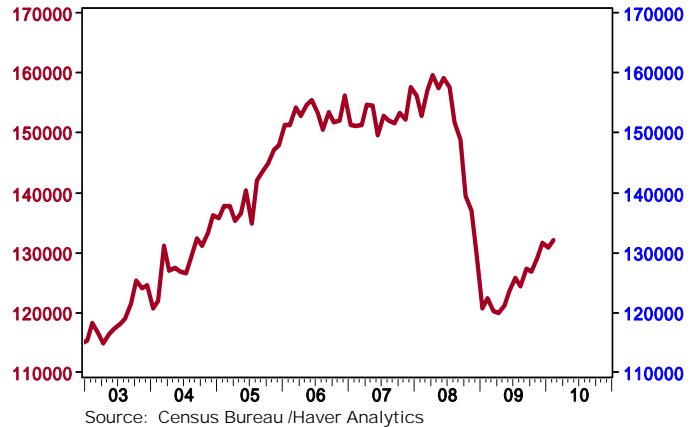
# FEBRUARY DURABLE GOODS

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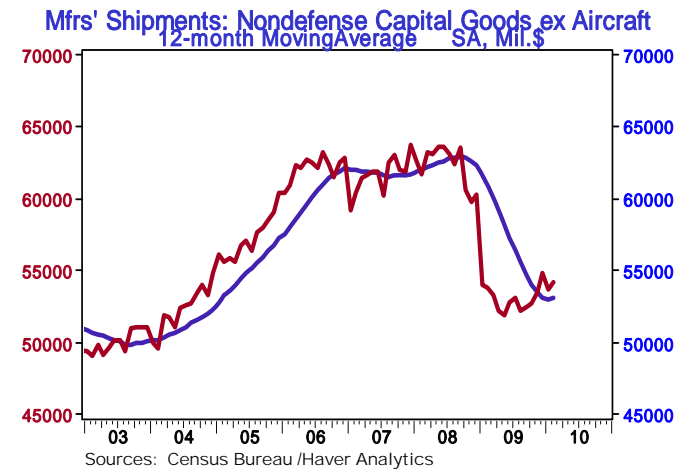
- New orders for durable goods increased 0.5% in February, almost exactly as the consensus expected. Excluding transportation, orders increased 0.9%, narrowly beating the consensus expected gain of 0.6%. Orders are up 10.9% versus a year ago, 7.9% excluding transportation.
- The largest gains in orders in February were for aircraft and industrial machinery. The largest decline was for motor vehicles/parts, which are still up at a 9.4% annual rate in the past six months.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.8% in February. If these shipments are unchanged in March, they will still be up at a 2.8% annual rate in Q1 versus the Q4 average.
- Unfilled orders increased 0.4% in February, the largest gain in nineteen months.

**Implications:** Business investment is a key component of sustained V-shaped economic recovery and future gains in productivity and living standards. The data tell us the “V” is alive and well. New orders for durable goods are up at an 18% annual rate in the past six months. Even excluding the volatile transportation sector, orders are up at a 13% rate. For the second month in a row, shipments of equipment have not been able to keep pace with orders, meaning a backlog of orders is starting to develop. Even so, shipments of “core” capital goods (which exclude defense and aircraft) are up at an 8% annual rate in the past six months. We expect further gains in the months ahead as cash-rich companies (who are earning essentially zero percent interest on their cash) decide to invest that cash. Traditionally, once businesses are willing to invest more in equipment, consistent payroll gains follow very soon thereafter. Given this pattern, as well as the East Coast blizzards in February and Census-related hiring, we expect a blowout positive jobs report next week, with payrolls up roughly 300,000.

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



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



Durable Goods <i>All Data Seasonally Adjusted</i>	Feb-10	Jan-10	Dec-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>0.5%</b>	3.9%	1.8%	28.1%	17.9%	10.9%
<i>Ex Defense</i>	<b>1.6%</b>	1.7%	1.7%	21.9%	18.1%	11.0%
<i>Ex Transportation</i>	<b>0.9%</b>	-0.6%	1.9%	9.2%	12.9%	7.9%
<i>Primary Metals</i>	<b>1.5%</b>	2.2%	10.1%	69.9%	56.4%	35.7%
<i>Industrial Machinery</i>	<b>4.7%</b>	-8.8%	7.3%	10.2%	17.8%	7.0%
<i>Computers and Electronic Products</i>	<b>-0.6%</b>	1.2%	0.5%	4.7%	8.0%	6.6%
<i>Transportation Equipment</i>	<b>-0.7%</b>	19.4%	1.6%	110.7%	34.4%	20.5%
<b>Capital Goods Orders</b>	<b>3.6%</b>	8.3%	2.0%	71.7%	31.9%	18.9%
<b>Capital Goods Shipments</b>	<b>-0.5%</b>	-2.3%	2.9%	-0.1%	5.3%	0.2%
<i>Defense Shipments</i>	<b>-4.6%</b>	9.8%	-3.6%	3.9%	2.1%	5.2%
<i>Non-Defense, Ex Aircraft</i>	<b>0.8%</b>	-1.9%	2.3%	4.9%	7.9%	0.7%
<b>Unfilled Orders for Durable Goods</b>	<b>0.4%</b>	0.2%	-0.9%	-1.1%	-3.6%	-6.5%

Source: Bureau of the Census