

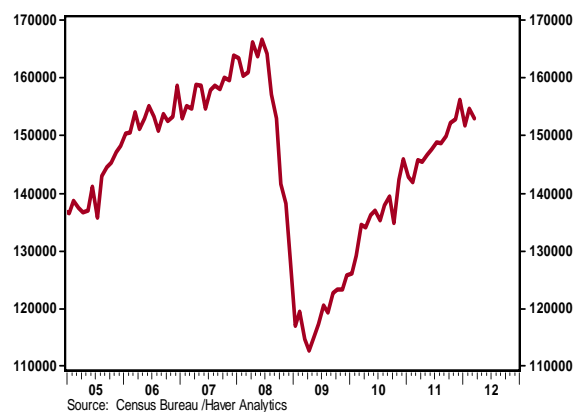
## March Durable Goods

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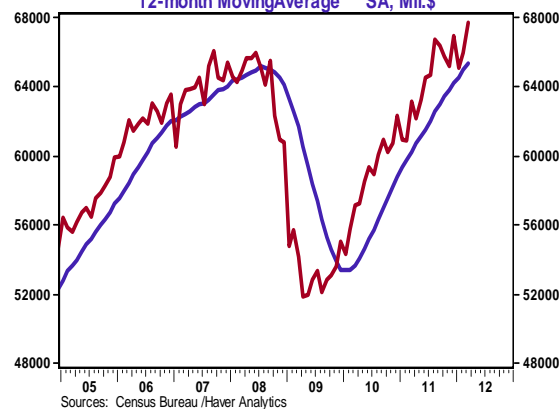
- New orders for durable goods fell 4.2% in March, coming in well below the consensus expected decline of 1.7%. Orders excluding transportation fell 1.1%, also coming in well below the consensus expected gain of 0.5%. Overall new orders are up 2.7% from a year ago, while orders excluding transportation are up 5.0%.
- The decline in overall orders was mostly due to civilian aircraft, although most other categories of orders declined as well.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 2.6% in March and was up 1.7% at an annual rate in Q1 versus the Q4 average.
- Unfilled orders were flat in March but are up 9.7% from last year.

**Implications:** New orders for durable goods fell an ugly 4.2% in March, the most in three years, showing broad losses across many categories. A 48% drop in civilian aircraft orders led the way, which was expected. However, despite the decline in March, the underlying trend remains favorable, with overall orders up 2.7% in the past year and 5% excluding transportation. Don't forget that orders are extremely volatile from month-to-month and the data we are seeing now reflect the very early stages of a home building recovery. As housing picks up steam, orders for durables should pick up as well. As a result, we expect gains in the year ahead. The details of the report were not as bad as the headline. Shipments of "core" capital goods were up 2.6% in March, hitting a new record high, and are up 7.2% from a year ago. Meanwhile, orders for core capital goods continue to outpace shipments, as they have for the past two years, meaning business investment will keep moving upward. Unfilled orders for core capital goods are at a new all-time record high and up 9.7% from a year ago. Monetary policy is loose, interest rates are extremely low, and businesses are reaping record profits while they already have record amounts of cash on their balance sheets. Moreover, capacity utilization at US factories is approaching its long-term norm, meaning companies have an increasing incentive to update their equipment. In other words, the large decline in new orders for March does not change our forecast for a continued recovery.

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



**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
 SA, Mil.\$  
**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
 12-month MovingAverage SA, Mil.\$



<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>Mar-12</b>	<b>Feb-12</b>	<b>Jan-12</b>	<b>3-mo % ch.</b> <b>annualized</b>	<b>6-mo % ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>New Orders for Durable Goods</b>	<b>-4.2%</b>	1.9%	-3.5%	-21.1%	3.1%	2.7%
<i>Ex Defense</i>	<b>-4.6%</b>	1.5%	-4.0%	-25.5%	4.1%	3.2%
<i>Ex Transportation</i>	<b>-1.1%</b>	1.9%	-2.8%	-8.0%	4.3%	5.0%
<i>Primary Metals</i>	<b>-1.8%</b>	0.1%	-8.0%	-32.9%	11.1%	17.6%
<i>Industrial Machinery</i>	<b>-2.6%</b>	7.9%	-8.8%	-15.5%	8.4%	4.2%
<i>Computers and Electronic Products</i>	<b>-1.8%</b>	2.3%	2.4%	12.2%	-5.0%	0.7%
<i>Transportation Equipment</i>	<b>-12.5%</b>	1.8%	-5.2%	-49.2%	-0.2%	-4.0%
<b>Capital Goods Orders</b>	<b>-8.9%</b>	1.8%	-3.4%	-35.7%	-7.2%	-1.2%
<b>Capital Goods Shipments</b>	<b>2.5%</b>	-0.3%	-0.9%	5.2%	3.9%	6.1%
<i>Defense Shipments</i>	<b>8.5%</b>	-8.2%	-2.2%	-9.9%	-4.0%	-12.1%
<i>Non-Defense, Ex Aircraft</i>	<b>2.6%</b>	1.4%	-2.8%	4.3%	4.0%	7.2%
<b>Unfilled Orders for Durable Goods</b>	<b>0.0%</b>	1.2%	0.7%	8.0%	10.7%	9.7%

Source: Bureau of the Census