

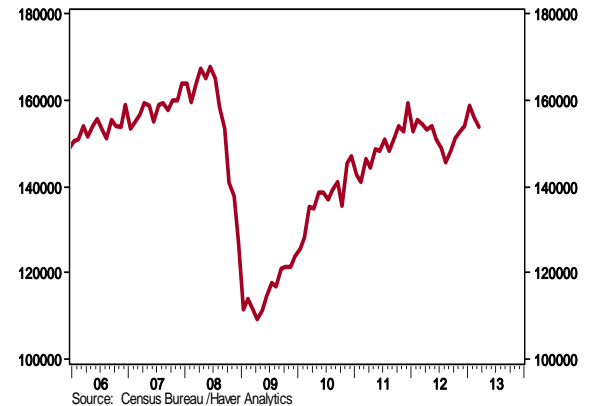
## March Durable Goods

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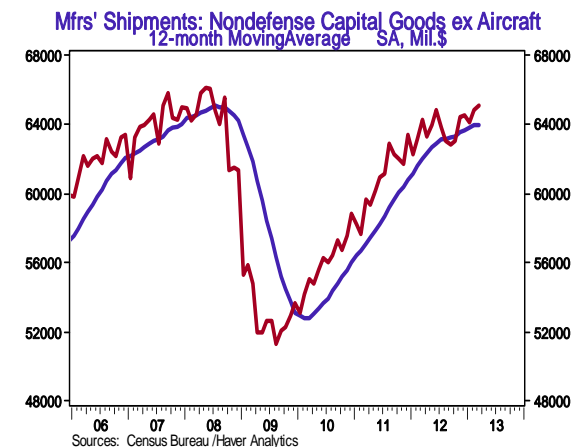
- New orders for durable goods fell 5.7% in March (-6.9% including revisions to February), coming in below the consensus expected decline of 3.0%. Orders excluding transportation declined 1.4% (-2.4% including revisions to February). The consensus expected a gain of 0.5%. Overall new orders are up 0.5% from a year ago, while orders excluding transportation are down 0.3%.
- The decline in overall orders was led by a huge decline in civilian aircraft, along with declines in primary metals, machinery and fabricated metal products.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.3% in March (-0.3% including revisions to February). These shipments were up at a 4.1% annual rate in Q1 versus the Q4 average.
- Unfilled orders fell 0.6% in March but are up 0.5% from last year.

**Implications:** Very ugly headline for orders of durable goods this morning. However, most of the drop of 5.7% in March was due to aircraft orders, which are extremely volatile from month to month. Excluding the transportation sector, orders were down 1.4%. That’s still worse than the consensus expected, but not by as much. Also, it’s not unusual to have a big decline in a particular month with this data series, followed by a sharp rebound. For example, orders dropped 13.1% last August and then jumped 9.1% in September. In the past year, new orders for durable goods are up only 0.5%. However, they are up 2.6% once you exclude the defense sector, so an upward trend for the private sector still remains intact. We expect orders to grow faster over the next several months. Monetary policy is loose and, for Corporate America, borrowing costs are low and balance sheet cash and profits are at a record high. In addition, the recovery in home building should generate more demand for big-ticket consumer items, such as appliances. Shipments of “core” capital goods, which exclude defense and aircraft, were up 0.3% in March, and were up at a 4.1% annual rate in Q1. This is consistent with our forecast that real GDP grew at a 3.1% rate in the first quarter (reported Friday morning). This morning’s report was not pretty, but that’s what a plow horse economy looks like. Some recent reports, such as housing starts, easily beat expectations, while other reports lag well behind.

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>	Mar-13	Feb-13	Jan-13	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>-5.7%</b>	4.3%	-3.7%	-19.7%	-0.5%	0.5%
<i>Ex Defense</i>	<b>-4.7%</b>	3.4%	1.3%	-0.9%	3.8%	2.6%
<i>Ex Transportation</i>	<b>-1.4%</b>	-1.7%	3.0%	-0.6%	7.6%	-0.3%
<i>Primary Metals</i>	<b>-3.0%</b>	0.8%	-1.4%	-13.3%	0.9%	-0.9%
<i>Industrial Machinery</i>	<b>-1.4%</b>	-4.7%	15.8%	40.3%	24.9%	5.0%
<i>Computers and Electronic Products</i>	<b>1.0%</b>	-2.3%	-5.0%	-22.9%	-2.5%	-11.2%
<i>Transportation Equipment</i>	<b>-15.0%</b>	20.0%	-17.7%	-50.4%	-17.1%	2.5%
<b>Capital Goods Orders</b>	<b>-12.6%</b>	10.2%	-11.4%	-46.9%	-10.0%	-4.1%
<b>Capital Goods Shipments</b>	<b>1.9%</b>	0.1%	-2.7%	-3.1%	3.7%	2.2%
<i>Defense Shipments</i>	<b>0.1%</b>	5.3%	-11.5%	-24.5%	-3.4%	-1.1%
<i>Non-Defense, Ex Aircraft</i>	<b>0.3%</b>	1.2%	-0.7%	3.3%	7.2%	1.2%
<b>Unfilled Orders for Durable Goods</b>	<b>-0.6%</b>	0.7%	0.0%	0.1%	2.3%	0.5%

Source: Bureau of the Census