

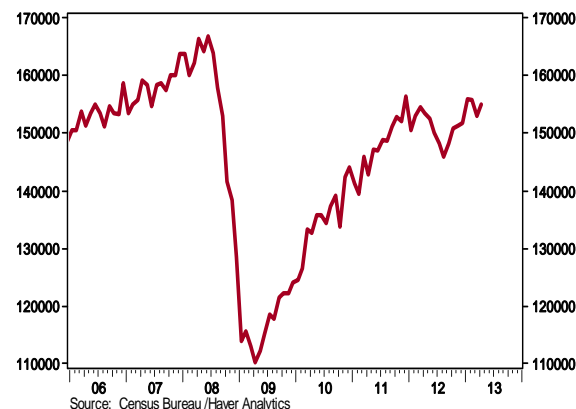
April Durable Goods

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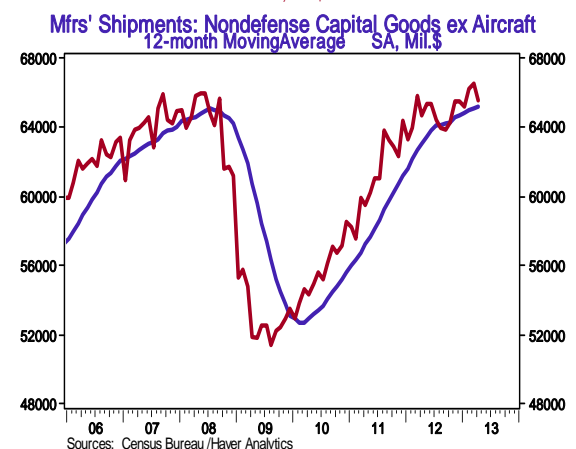
- New orders for durable goods increased 3.3% in April (3.0% including revisions to prior months), coming in well above the consensus expected gain of 1.5%. Orders excluding transportation increased 1.3% (1.0% including revisions to prior months), also well above the consensus expected 0.5% gain. Overall new orders are up 2.4% from a year ago, while orders excluding transportation are up 0.9%.
- All major categories of orders rose in April, led by aircraft, autos, and computers/electronics.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 1.5% in April (-0.1% including revisions to prior months). If unchanged in May and June, these shipments will be down at a 2.5% annual rate in Q2 versus the Q1 average.
- Unfilled orders rose 0.3% in April and are up 2.0% from last year.

Implications: A very solid report out on durable goods this morning. New orders for durables rose 3.3% in April, with all major categories of orders up for the month. The largest gains were in the transportation sector – aircraft and autos – which is extremely volatile. However, orders were still up 1.3% excluding transportation, much better than the consensus expected. The worst news in the report was that shipments of “core” capital goods, which exclude defense and aircraft, were down 1.5% in April. This suggests business investment in equipment will be tepid in Q2, consistent with our forecast of 2.5% real GDP growth for the quarter. But new orders for core capital goods increased 1.2% in April and unfilled orders were up 0.9%. This hints at an acceleration in business investment beyond Q2. We expect orders to continue to trend upward 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. Meanwhile, the obsolescence cycle and higher capacity use should goad more firms to replace and build-out their capital stock. In addition, the recovery in home building should generate more demand for big-ticket consumer items, such as appliances. The bottom line is that today’s report shows the Plow Horse economy is moving along just fine and may even be starting to pick up its gait.

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>	Apr-13	Mar-13	Feb-13	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	3.3%	-5.9%	6.4%	14.7%	3.5%	2.4%
<i>Ex Defense</i>	2.1%	-4.4%	5.4%	12.0%	5.2%	2.8%
<i>Ex Transportation</i>	1.3%	-1.7%	-0.2%	-2.1%	5.8%	0.9%
<i>Primary Metals</i>	0.5%	-5.8%	10.6%	20.2%	-2.6%	-3.1%
<i>Industrial Machinery</i>	1.9%	-1.8%	-4.2%	-15.5%	15.0%	8.2%
<i>Computers and Electronic Products</i>	3.6%	-0.5%	-0.9%	8.8%	2.3%	-7.9%
<i>Transportation Equipment</i>	8.1%	-14.7%	23.7%	69.2%	-1.3%	6.0%
Capital Goods Orders	5.4%	-12.1%	12.3%	17.3%	-3.6%	2.1%
Capital Goods Shipments	-3.3%	2.6%	0.3%	-2.1%	-2.1%	0.7%
<i>Defense Shipments</i>	-5.6%	4.1%	5.7%	16.2%	-5.0%	5.8%
<i>Non-Defense, Ex Aircraft</i>	-1.5%	0.5%	1.6%	2.4%	4.1%	1.4%
Unfilled Orders for Durable Goods	0.3%	-0.5%	0.9%	2.7%	2.9%	2.0%

Source: Bureau of the Census