

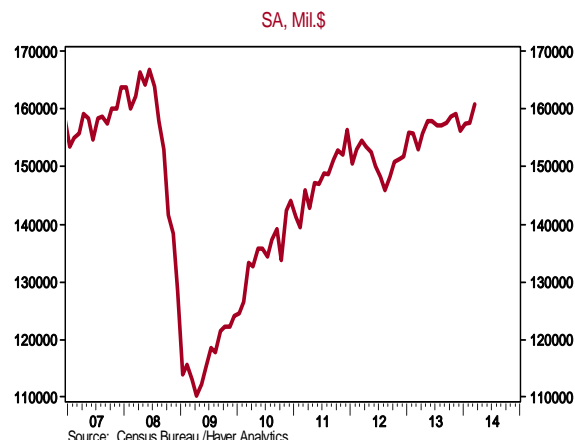
March Durable Goods

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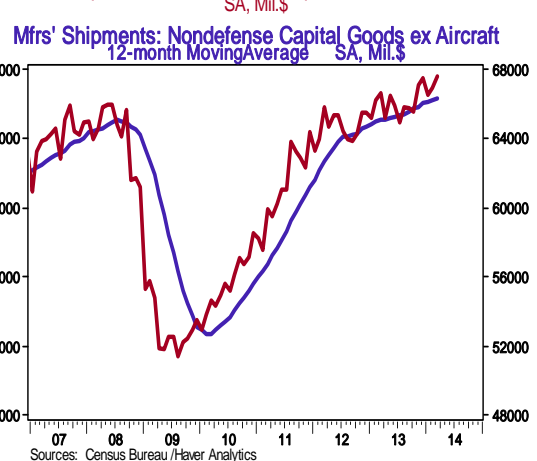
- New orders for durable goods increased 2.6% in March (2.5% including revisions to prior months), beating the consensus expected gain of 2.0%. Orders excluding transportation increased 2.0% in March, beating the consensus expected gain of 0.6%. Orders are up 9.1% from a year ago while orders excluding transportation are up 5.1%
- The gain in overall orders was led by civilian aircraft and computers & electronic products, but every major category of orders increased.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 1.0% in March and was up at a 1.7% annual rate in Q1 versus the Q4 average.
- Unfilled orders increased 0.6% in March and are up 7.5% from last year.

Implications: A very solid, well-rounded report on durable goods today. New orders for durable goods rose 2.6%, beating consensus expectations and the largest gain since November. Once again the transportation sector led the way, particularly orders for civilian aircraft. But, unlike last month, there was broad strength outside the transportation sector. Orders excluding transportation increased 2% in March, the largest gain since January 2013. The best news in today’s report was that shipments of “core” capital goods, which exclude defense and aircraft, increased 1% in March. Plugging these data into our GDP models suggests businesses increased “real” (inflation-adjusted) equipment investment at about a 5% annual rate in Q1. Business investment should accelerate over the next couple of years. Consumer purchasing power is growing and debt ratios are low, leaving room for an upswing in appliances. Meanwhile, businesses have record profits and balance sheet cash at the same time that capacity utilization is above long-term norms, leaving more room (and need) for business investment. Signaling future gains, unfilled orders for “core” capital goods rose 0.6% in March, hitting a new record high, and are up 10% from a year ago. In other news this morning, initial claims for unemployment insurance increased 24,000 last week to 329,000. Continuing claims declined 61,000 to 2.68 million. Plugging these figures into our payroll models suggests an April gain of roughly 210,000, both nonfarm and private. This forecast may change over the next week as we get more data, but it looks like another solid month for job growth.

Manufacturers' New Orders: Durable Goods Excl Transportation



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft



Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-14	Feb-14	Jan-14	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	2.6%	2.1%	-1.4%	13.9%	-0.3%	9.1%
<i>Ex Defense</i>	1.8%	1.8%	-2.0%	6.5%	0.6%	7.4%
<i>Ex Transportation</i>	2.0%	0.1%	0.9%	12.5%	4.2%	5.1%
<i>Primary Metals</i>	2.0%	1.2%	-1.8%	5.5%	-0.1%	6.5%
<i>Industrial Machinery</i>	0.5%	-0.9%	-1.3%	-6.2%	11.5%	6.7%
<i>Computers and Electronic Products</i>	5.7%	1.5%	3.1%	49.6%	8.9%	8.9%
<i>Transportation Equipment</i>	4.0%	6.7%	-6.2%	17.0%	-9.0%	19.0%
Capital Goods Orders	8.5%	-1.8%	-3.7%	10.5%	-3.6%	13.0%
Capital Goods Shipments	1.7%	0.1%	-1.8%	-0.2%	4.0%	2.0%
<i>Defense Shipments</i>	1.9%	-1.4%	-2.7%	-8.8%	-6.3%	-4.8%
<i>Non-Defense, Ex Aircraft</i>	1.0%	0.7%	-1.5%	0.7%	5.8%	1.5%
Unfilled Orders for Durable Goods	0.6%	0.2%	0.0%	3.3%	5.1%	7.5%

Source: Bureau of the Census