

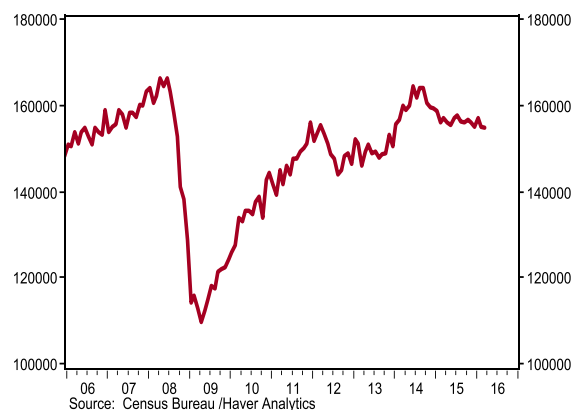
March Durable Goods

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- New orders for durable goods rose 0.8% in March (+0.7% including revisions to prior months). The consensus expected a gain of 1.9%. Orders excluding transportation fell 0.2% in March, below the consensus expected increase of 0.5%. Orders are down 2.5% from a year ago while orders excluding transportation are down 1.4%.
- The rise in overall orders in March was led by military aircraft and machinery. The largest declines were for motor vehicles and commercial aircraft.
- 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 (+0.1% including revisions to prior months), but was down at a 9.6% annualized rate in Q1 versus the Q4 average.
- Unfilled orders declined 0.1% in March and are down 1.7% from last year.

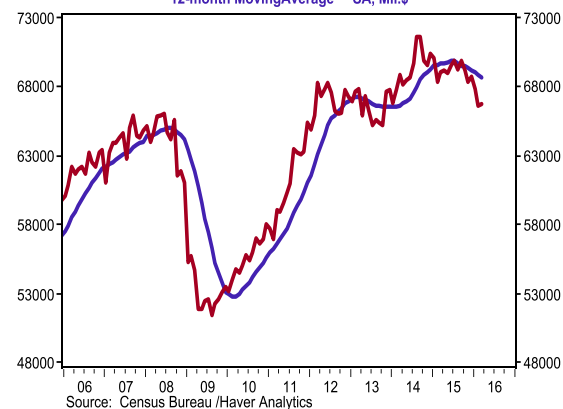
Implications: The volatility in durable goods orders continued in March, missing consensus expectations but rising 0.8% after February’s 3.1% decline. Military aircraft led the headline higher, accounting for the full increase in March and more than offsetting declines in commercial aircraft and autos. Excluding transportation equipment, durable goods orders fell 0.2%. Orders for “core” capital goods - non-defense excluding aircraft – were unchanged in March, while core shipments rose 0.3%. These shipments, which fell at a 9.6% annual rate in Q1 compared to the Q4 average, are what the government uses in its calculation of the business equipment investment component of GDP. While R&D likely offset some of the decline in business equipment spending, a lack of overall business investment is likely to be a drag on growth in Thursday’s GDP on the first quarter. However, given the recent rebound in energy prices, business investment should start to revive soon. The energy sector has been a major reason for weakness in equipment spending for the past year and a half. In addition, consumer purchasing power is growing with more jobs and higher incomes, while debt ratios remain very low, leaving room for an upswing in big-ticket spending. In other manufacturing news today, the Richmond Fed index, which measures mid-Atlantic factory sentiment, moved to a still very strong +14 in April from +22 in March, signaling continued expansion. Survey respondents noted increasing orders, rising employment, and moderate gains in wages, with a positive outlook on business conditions in the months to come. In other news this morning, the national Case-Shiller home price index rose 0.4% in February and is up 5.3% from a year ago. That’s an acceleration from the 4.3% gain in the year ending in February 2015. In the past twelve months, price gains have been led by Portland, Seattle, Denver, and San Francisco.

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.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-16	Feb-16	Jan-16	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.8%	-3.1%	4.3%	7.7%	-1.2%	-2.5%
<i>Ex Defense</i>	-1.0%	-2.3%	3.8%	2.0%	-2.1%	-3.4%
<i>Ex Transportation</i>	-0.2%	-1.3%	1.4%	-0.6%	-1.7%	-1.4%
<i>Primary Metals</i>	0.8%	-0.2%	0.6%	4.8%	-2.5%	-9.0%
<i>Industrial Machinery</i>	0.5%	-3.5%	5.3%	8.8%	-7.2%	-0.2%
<i>Computers and Electronic Products</i>	-0.6%	-0.9%	0.5%	-3.9%	-0.4%	-1.6%
<i>Transportation Equipment</i>	2.9%	-6.7%	10.6%	27.5%	-0.1%	-4.8%
Capital Goods Orders	3.7%	-9.6%	19.4%	57.0%	0.4%	-8.0%
Capital Goods Shipments	0.3%	-2.4%	2.0%	-0.5%	-11.6%	-3.9%
<i>Defense Shipments</i>	0.1%	2.4%	-3.4%	-4.0%	-10.8%	3.3%
<i>Non-Defense, Ex Aircraft</i>	0.3%	-1.8%	-1.4%	-11.1%	-8.6%	-3.3%
Unfilled Orders for Durable Goods	-0.1%	-0.4%	0.1%	-1.7%	-1.0%	-1.7%

Source: Bureau of the Census