

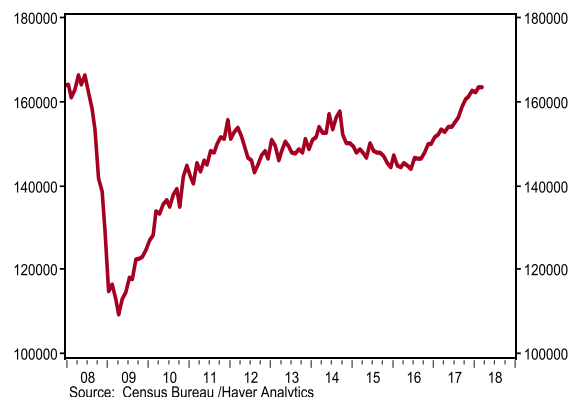
March Durable Goods

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- New orders for durable goods rose 2.6% in March (+2.9% including revisions to prior months), beating the consensus expected increase of 1.6%. Orders excluding transportation were unchanged in March (+0.8% including revisions to prior months), versus a consensus expected rise of 0.5%. Orders are up 9.5% from a year ago while orders excluding transportation are up 6.7%.
- The rise in orders in March was led by commercial aircraft and primary metals.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.7% in March, but rose at a 4.1% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.8% in March, and are up 3.0% in the past year.

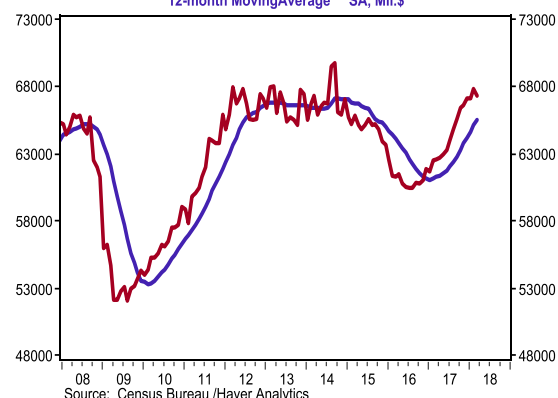
Implications: A surge in orders for new aircraft pushed durable goods higher in March. Most other major categories showed modest gains, except machinery orders (which are still up 5.3% from a year ago). Orders excluding the typically volatile transportation sector were unchanged in March, but a tightening labor market paired with the tax reform signed into law in late December - which includes a shift to full expensing for business investment instead of depreciation over several years - should push orders (particularly machinery orders) higher in 2018 as companies increase investment. The details of non-transportation orders show most major categories rose in March, with primary metals, fabricated metal products, computers and electronic products, and electrical equipment, appliances & components all higher. The most disappointing news in today's report was a 0.7% decline in shipments for non-defense capital goods excluding aircraft. Still, these "core" shipments - the calculation most relevant to government calculations of business investment for GDP purposes - rose at a 4.1% annual rate in Q1 vs the Q4 average. Plugging the data, along with advanced trade data also out this morning, into our model suggests real GDP growth of 2.0% in the first quarter. As we said in [this week's Monday Morning Outlook](#), don't view moderate first quarter growth as a sign that the economy isn't picking up pace. It is. We expect real GDP growth will still be up about 2.8% in the past year, and still anticipate average growth of around 3% for 2018. On the employment front, new claims for jobless benefits fell 24,000 last week to 209,000, the lowest reading since 1969. Meanwhile continuing claims fell 29,000 to 1.84 million. These figures are consistent with healthy job growth in April, rebounding from the weather-related slowdown in job growth in March.

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-18	Feb-18	Jan-18	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	2.6%	3.5%	-3.6%	9.8%	13.5%	9.5%
<i>Ex Defense</i>	2.8%	3.0%	-2.6%	13.3%	14.8%	10.2%
<i>Ex Transportation</i>	0.0%	0.9%	-0.3%	2.3%	6.5%	6.7%
<i>Primary Metals</i>	1.4%	4.3%	0.1%	25.6%	25.2%	14.3%
<i>Industrial Machinery</i>	-1.7%	0.3%	-0.2%	-6.0%	2.9%	5.3%
<i>Computers and Electronic Products</i>	1.3%	-0.2%	-0.3%	3.3%	3.6%	10.3%
<i>Transportation Equipment</i>	7.6%	8.9%	-9.8%	24.9%	27.9%	15.0%
Capital Goods Orders	5.4%	6.9%	-4.7%	32.9%	16.3%	14.9%
Capital Goods Shipments	1.6%	0.2%	0.4%	9.1%	7.0%	9.2%
<i>Defense Shipments</i>	-2.7%	-5.3%	2.9%	-19.4%	-2.0%	5.2%
<i>Non-Defense, Ex Aircraft</i>	-0.7%	1.0%	0.0%	1.1%	5.1%	7.5%
Unfilled Orders for Durable Goods	0.8%	0.3%	-0.3%	3.5%	3.3%	3.0%

Source: Bureau of the Census