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March Durable Goods

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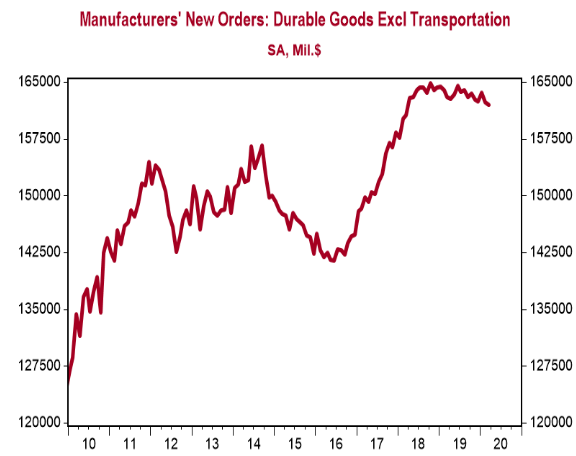
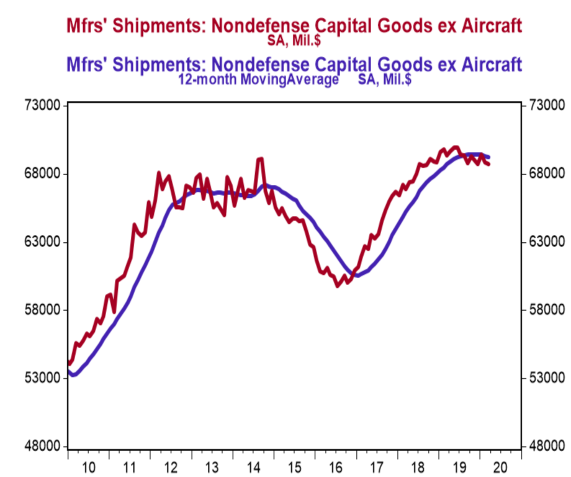
- New orders for durable goods declined 14.4% in March (-14.6% including revisions to prior months), lagging the consensus expected drop of 12.0%. Orders excluding transportation declined 0.2% in March (-0.4% including revisions), versus the consensus expected decline of 6.5%. Orders are down 16.0% from a year ago, while orders excluding transportation are down 0.7%.
- The decline in orders in March was led by commercial aircraft and motor vehicles.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.2% in March, but was up at a 0.1% annualized rate in Q1 versus the Q4 2019 average.
- Unfilled orders declined 2.0% in March and are down 3.8% in the past year.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Implications: New orders for durables goods dropped at the second fastest monthly pace in the series history (back to 1992), as the impacts of the Coronavirus shutdown began to appear in the data. But while the headline number was abysmal, the details of the report were stronger than the consensus expected. Almost the entirety of the March decline came from the volatile transportation sector, where plunging orders for commercial aircraft and motor vehicles easily offset a pickup in orders for defense aircraft. Excluding transportation, new orders fell a modest 0.2% in March, compared to the consensus expected decline of 6.5%. A look at the details shows broad-based declines across sectors, with just electrical equipment, appliances, and components (a single category) showing a pickup in orders. One of the most important pieces of data from today's report, shipments of "core" non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), declined 0.2% in March, but was up 0.1% at an annualized rate versus the Q4 2019 average. That said, other indicators of business investment in equipment were much weaker in the first quarter, including the production of durable goods (from the industrial production report). At present, we're estimating that "real" business investment in equipment in the GDP report (out next Wednesday) will show a drop at a roughly 9% annual rate, while overall real GDP declined at a 3.7% rate. Across the board, economic data will continue to be ugly in the months ahead, as activity across much of the US has come to screeching halt in an effort to prevent the spread of the coronavirus. How long the standstill lasts will play a large part in determining just how drastic the decline in activity is, and how fast or slow the recovery will be. And remember, the data reports with a lag, so even as the economy begins to turn, the reports on the progress won't be seen for a month or two. That said, there are some high-frequency indicators that provide a more real-time look at economic activity. For that data - and ongoing coverage of the coronavirus and its impact on the economy - please check out our blog which hosts Monday Morning Outlooks, Wesbury 101 videos, and Research Reports specific to the topic.

Durable Goods *All Data Seasonally Adjusted*	Mar-20	Feb-20	Jan-20	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	**-14.4%**	1.1%	0.1%	-43.9%	-25.5%	-16.0%
Ex Defense	**-15.8%**	-0.2%	3.6%	-42.4%	-28.0%	-17.8%
Ex Transportation	**-0.2%**	-0.7%	0.7%	-1.2%	-1.3%	-0.7%
Primary Metals	**-2.5%**	-2.1%	2.8%	-7.2%	-10.4%	-7.8%
Industrial Machinery	**-0.2%**	-1.1%	2.0%	2.6%	-3.0%	-1.2%
Computers and Electronic Products	**-0.1%**	0.3%	-0.7%	-2.4%	1.6%	-1.5%
Transportation Equipment	**-41.0%**	4.6%	-1.0%	-86.1%	-62.8%	-43.6%
Capital Goods Orders	**-26.8%**	4.8%	1.7%	-62.9%	-41.3%	-29.2%
Capital Goods Shipments	**1.3%**	0.9%	-0.5%	6.7%	3.7%	-4.4%
Defense Shipments	**-2.0%**	-1.4%	6.5%	12.3%	0.0%	5.7%
Non-Defense, Ex Aircraft	**-0.2%**	-0.9%	1.1%	0.1%	-0.2%	-1.4%
Unfilled Orders for Durable Goods	**-2.0%**	0.1%	0.0%	-7.3%	-4.8%	-3.8%

Source: Bureau of the Census