

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke – Senior Economist

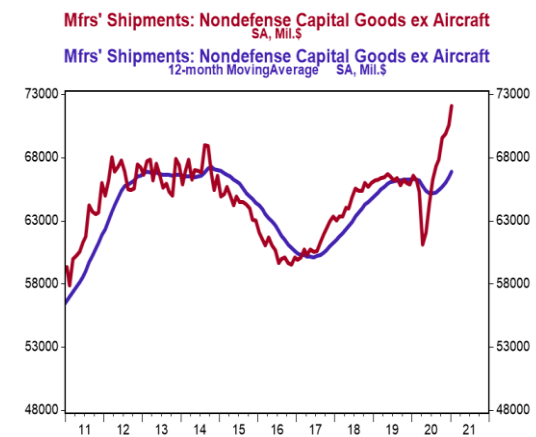
January Durable Goods

- New orders for durable goods increased 3.4% in January (+4.1% including revisions to prior months), easily beating the consensus expected gain of 1.1%. Orders excluding transportation rose 1.4% in January (+2.0% including revisions), beating the consensus expected gain of 0.7%. Orders are up 6.3% from a year ago, while orders excluding transportation are up 8.5%.
- The increase in orders in January was led by aircraft, primary metals, and fabricated metals.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 2.1% in January. If unchanged in February and March, these shipments will be up at a 12.3% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.1% in January but are down 6.4% in the past year.

Implications: Durable goods orders started the new year on a healthy note, rising for the ninth consecutive month and are now up 6.3% from a year ago, which was before COVID-19 hit the US. Orders for durables are now up 53.2% since hitting bottom in April. Moreover, readings in prior months were broadly revised up as well. Looking at the details in today's report, it wasn't just the volatile transportation sector that drove headline growth. Excluding transportation, orders rose 1.4% in January, and are up 8.5% in the past year. Among the core non-transportation categories, the best performers were electrical equipment (+4.2%), primary metal products (+3.2%), and fabricated metals (+1.8%), while orders for computers & electronic products and machinery declined. 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), rose 2.1% in January. If unchanged in February and March, this measure will be up at a 12.3% annualized rate in Q1 versus the Q4 average. Keep in mind, the fourth quarter showed an impressive 18.2% annualized pace of growth, and that came on the heels of Q3, which rose at a record high 33.1% annualized pace. In other words, though the pace of growth in business investment is slowing down, it will likely remain a tailwind for overall GDP growth going forward. When you add in the vaccine rollout, and the removal of pandemic restrictions as COVID-19 data continue to improve rapidly, 2021 is on pace for real GDP growth of 5.0%. In other recent news this morning on the labor market, initial jobless claims fell 111,000 last week to 730,000. Meanwhile, continuing claims for regular benefits fell 101,000 to 4.419 million. These figures are consistent with continued job growth in February, in spite of the brutal polar vortex that hit the mid-section of the country earlier this month.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Jan-21	Dec-20	Nov-20	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	3.4%	1.2%	1.3%	26.2%	22.4%	6.3%
Ex Defense	2.3%	1.4%	1.3%	22.2%	23.5%	5.7%
Ex Transportation	1.4%	1.7%	1.0%	17.3%	18.6%	8.5%
Primary Metals	3.2%	1.2%	1.3%	25.4%	30.2%	5.9%
Industrial Machinery	-0.3%	3.5%	2.0%	22.5%	18.9%	6.3%
Computers and Electronic Products	-0.7%	0.1%	-0.1%	-2.6%	12.8%	9.4%
Transportation Equipment	7.8%	0.1%	2.0%	46.6%	30.6%	2.0%
Capital Goods Orders	8.5%	-1.2%	0.7%	35.9%	55.0%	10.0%
Capital Goods Shipments	3.4%	2.5%	-0.8%	22.0%	26.9%	3.6%
Defense Shipments	2.8%	-4.2%	6.9%	22.7%	16.4%	9.3%
Non-Defense, Ex Aircraft	2.1%	1.0%	0.4%	15.1%	18.3%	7.1%
Unfilled Orders for Durable Goods	0.1%	-0.2%	0.0%	-0.5%	-2.2%	-6.4%

Source: Bureau of the Census