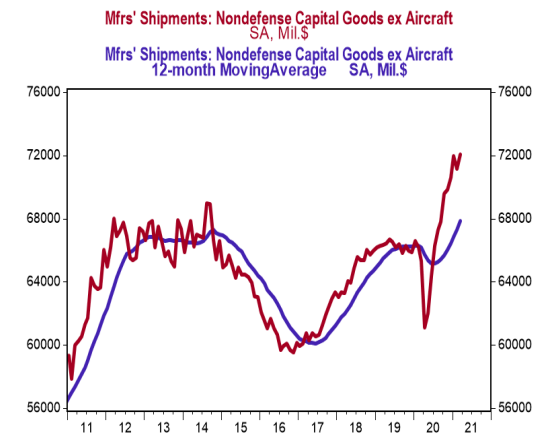


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March Durable Goods

- New orders for durable goods rose 0.5% in March (+0.9% including revisions to prior months), falling short of the consensus expected gain of 2.3%. Orders excluding transportation increased 1.6% in March (+2.2% including revisions), matching consensus expectations. Orders are up 25.0% from a year ago, while orders excluding transportation are up 12.8%.
- The rise in orders in March was led by autos, fabricated metals, and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 1.3% in March and was up at a 10.3% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.4% in March but are down 3.3% in the past year.

Implications: Orders for durable goods bounced back from the polar vortex that swept the middle of the country in February, but a pullback in commercial airplane orders muted the headline gain. As we have seen across a number of economic reports - housing starts, retail sales, and new home sales - the combination of easing restrictions as vaccinations progress, improvements in weather, and hundreds of billions of dollars hitting bank accounts as part of the \$1.9 trillion stimulus package, all served as a tailwind for spending. In fact, outside of commercial aircraft, orders rose in almost every major category in March, led by autos (+5.5%), fabricated metal products (+3.6%), and machinery (+1.0%). Strip out the typically volatile transportation sector, and durable goods orders rose a healthy 1.6% in March, while prior month numbers were also revised higher. On a year-ago basis, durable goods orders are up 25% from March 2020 (when the stay-at-home orders went into effect and orders declined 16.7% in a single month), and the April report will see that number move even higher. The data are a bit muddy, but what is abundantly clear is that significant progress has been made since the disastrous second quarter of last year, and 2021 is off to a strong start. The wind is at our backs, and the next few months have the potential for some of the fastest economic growth in decades. 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 1.3% in March, putting this measure up at a 10.3% annualized rate in Q1 versus the Q4 average. Some will focus on the fact that quarterly growth rates in this measure of business investment have slowed: 33.1% annualized growth rate in Q3 2020 and 18.3% annualized growth in Q4. But those growth rates are skewed by unprecedented shutdowns and snarled supply chains. Business investment is still a tailwind that will help lift real GDP at a record pace in 2021. For more details on our forecast for the Q1 GDP release due out this Thursday, take a look at today's [Monday Morning Outlook](#).



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-21	Feb-21	Jan-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.5%	-0.9%	3.6%	13.5%	16.2%	25.0%
<i>Ex Defense</i>	0.5%	-0.4%	2.4%	10.4%	12.9%	28.4%
<i>Ex Transportation</i>	1.6%	-0.3%	1.7%	12.7%	16.6%	12.8%
<i>Primary Metals</i>	1.2%	1.1%	2.7%	22.0%	20.2%	15.1%
<i>Industrial Machinery</i>	1.0%	-0.2%	0.4%	4.6%	14.3%	9.7%
<i>Computers and Electronic Products</i>	0.5%	-0.3%	-0.5%	-1.3%	8.1%	10.1%
<i>Transportation Equipment</i>	-1.7%	-2.0%	7.6%	15.4%	15.4%	62.5%
Capital Goods Orders	-3.5%	2.9%	8.7%	36.0%	23.4%	45.1%
<i>Capital Goods Shipments</i>	1.6%	-2.8%	2.9%	6.9%	15.3%	3.3%
<i>Defense Shipments</i>	-0.2%	-1.2%	3.0%	6.0%	15.5%	5.6%
<i>Non-Defense, Ex Aircraft</i>	1.3%	-1.1%	2.0%	8.5%	12.9%	7.6%
Unfilled Orders for Durable Goods	0.4%	0.9%	0.2%	6.1%	2.2%	-3.3%

Source: Bureau of the Census