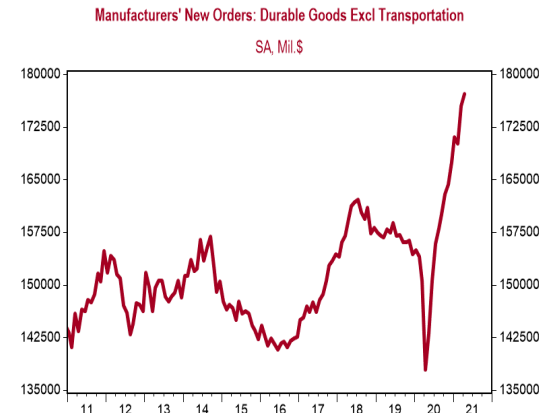


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist

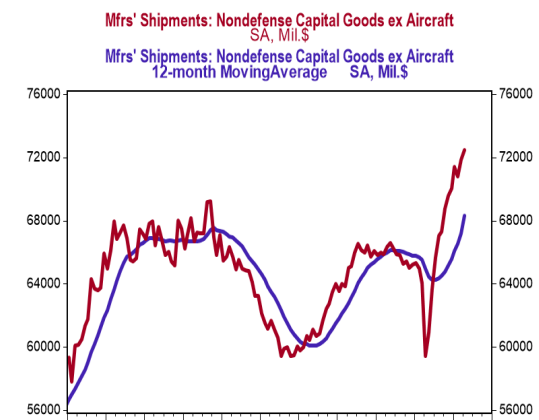
April Durable Goods

- New orders for durable goods declined 1.3% in April (-1.1% including revisions to prior months), falling well short of the consensus expected gain of 0.8%. Orders excluding transportation increased 1.0% in April (+1.8% including revisions), beating the consensus expected +0.7%. Orders are up 52.1% from a year ago, while orders excluding transportation are up 28.6%.
- The decline in orders in April was led by autos, communication equipment, and electrical equipment.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.9% in April. If unchanged in May and June, these shipments will be up at a 6.5% annualized rate in Q2 versus the Q1 average.
- Unfilled orders rose 0.2% in April, but are down 2.9% in the past year.

Implications: Orders for durable goods fell in April, as supply chain shortages – most notably in semiconductors – continue to hold back activity in some sectors. As we have seen across a number of economic reports - housing starts, retail sales, and new home sales – there is a battle taking place between consumers who are back in force as restrictions ease across the country and companies that are struggling to keep up with demand while inputs (including labor) remain in short supply. While transportation equipment (particularly in autos, where new orders fell 6.2%) have seen production difficulties, outside the transportation sector orders rose a healthy 1.0% in April. In fact, outside of a few component heavy areas such as communication equipment and appliances, orders rose in almost every category in April, led by primary metals (+3.0%), machinery (+1.4%), and fabricated metal products (+0.9%). On a year-ago basis, durable goods orders are up a staggering 52.1% from April 2020 (when the stay-at-home orders were in effect and orders declined 11.6% in a single month). The wind is at our backs, and the coming months have the potential for some of the strongest 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 0.9% in April, and if unchanged in May and June these shipments will be up at a 6.5% annualized rate in the second quarter. Some will focus on the fact that quarterly growth rates in this measure of business investment have slowed: 42.5% annualized growth rate in Q3 2020, 19.4% annualized growth in Q4, and 11.9% annualized growth in the first quarter of 2021. 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. In employment news this morning, initial jobless claims fell 38,000 last week to 406,000. Meanwhile continuing claims declined by 96,000 to 3.642 million. There is a growing list of states now announcing they are discontinuing the expanded unemployment benefits that have been a headwind factor to hiring across the U.S., noting that job openings in the United States stand at the highest level in history. We anticipate a robust pace of employment growth as we move deeper into 2021.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Apr-21	Mar-21	Feb-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.3%	1.3%	1.3%	5.0%	15.7%	52.1%
<i>Ex Defense</i>	0.0%	2.2%	1.3%	14.8%	19.1%	57.7%
<i>Ex Transportation</i>	1.0%	3.2%	-0.5%	15.4%	18.4%	28.6%
<i>Primary Metals</i>	3.0%	5.2%	-0.1%	37.8%	31.8%	44.7%
<i>Industrial Machinery</i>	1.4%	3.1%	0.2%	20.5%	20.1%	27.7%
<i>Computers and Electronic Products</i>	0.4%	0.4%	-0.7%	0.5%	2.5%	9.5%
<i>Transportation Equipment</i>	-6.7%	-3.1%	5.6%	-16.9%	9.3%	187.7%
Capital Goods Orders	-0.5%	-2.7%	8.8%	22.6%	31.4%	48.5%
Capital Goods Shipments	4.2%	1.6%	-2.3%	14.4%	16.6%	5.5%
<i>Defense Shipments</i>	4.8%	0.4%	-2.1%	12.7%	18.3%	10.3%
<i>Non-Defense, Ex Aircraft</i>	0.9%	1.5%	-0.9%	6.2%	11.0%	12.2%
Unfilled Orders for Durable Goods	0.2%	0.5%	0.8%	6.2%	2.1%	-2.9%

Source: Bureau of the Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.