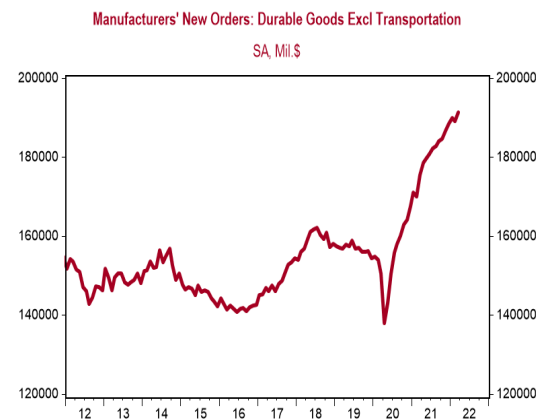


Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Senior Economist
Andrew Opdyke, CFA – Senior Economist

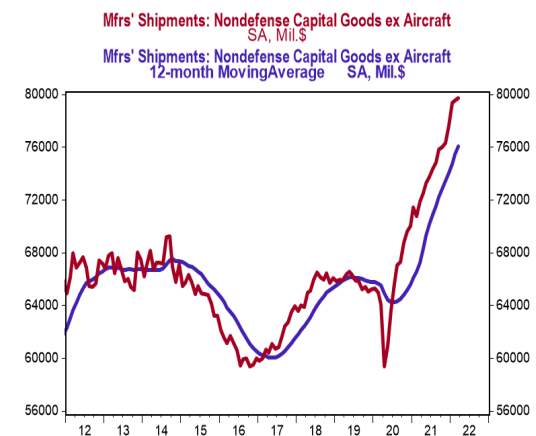
March Durable Goods

- New orders for durable goods rose 0.8% in March (+1.2% including revisions to prior months), versus a consensus expected +1.0%. Orders excluding transportation increased 1.1% in March (+1.3% including revisions to prior months), beating the consensus expected gain of 0.6%. Orders are up 10.2% from a year ago, while orders excluding transportation are up 8.9%.
- The rise in orders in March was led by autos, computers & electronic products, and electrical equipment.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.2% in March and was up at an 15.8% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.4% in March and are up 8.3% in the past year.

Implications: New orders for durable goods ended the first quarter on a healthy note, rising 0.8% in March on top of upward revisions for February. While auto orders boomed, rising 5.0% in March, orders for both commercial and defense aircraft fell, nearly fully offsetting autos to leave transportations up a more modest 0.2%. As a result, if you strip out the typically volatile transportation sector, orders grew a healthy 1.1%. Electrical equipment orders rose 3.9% – the largest monthly increase for that category in more than a year – followed by computers and electronic products (+2.6%), primary metals (+1.5%), fabricated metal products (+0.8%), and machinery (+0.7%). With unfilled orders continuing to rise – and standing today at a record high – we expect activity to remain robust as companies battle to keep up with demand growth that has far outpaced supply. One of the most important pieces of today’s report, shipments of “core” non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP), rose 0.2% in March following strong prints in January and February. These shipments rose at a 15.8% annualized pace in Q1 versus the Q4 average, and provide a healthy tailwind to first quarter GDP growth, at which we will get our first official look this Thursday. Companies have seen an extremely sharp recovery, with orders up a combined 69.9% since the April 2020 bottom and now sit 19.1% above the pre-pandemic high set in February 2020. We expect business investment will remain a tailwind for GDP growth throughout 2022 as companies continue to reopen and recover from the severe economic consequences of the COVID shutdowns.



Source: Census Bureau/Haver Analytics



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-22	Feb-22	Jan-22	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.8%	-1.7%	1.5%	2.6%	10.7%	10.2%
Ex Defense	1.2%	-2.1%	1.3%	1.4%	14.9%	11.2%
Ex Transportation	1.1%	-0.5%	0.8%	6.1%	8.0%	8.9%
Primary Metals	1.5%	0.0%	-0.3%	5.3%	11.4%	16.4%
Industrial Machinery	0.7%	-2.9%	3.0%	3.1%	1.3%	9.6%
Computers and Electronic Products	2.6%	-1.1%	0.4%	7.8%	8.6%	6.5%
Transportation Equipment	0.2%	-4.4%	3.2%	-4.9%	17.3%	13.3%
Capital Goods Orders	-1.1%	-4.3%	4.9%	-3.0%	3.4%	12.9%
Capital Goods Shipments	-0.3%	-0.2%	2.7%	8.9%	7.8%	12.7%
Defense Shipments	-1.9%	-1.1%	5.0%	7.6%	5.8%	10.5%
Non-Defense, Ex Aircraft	0.2%	0.2%	2.2%	11.1%	10.6%	12.3%
Unfilled Orders for Durable Goods	0.4%	0.5%	0.9%	7.4%	7.8%	8.3%

Source: Bureau of the Census