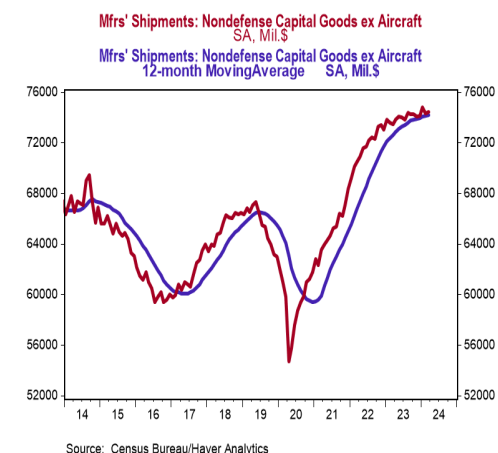
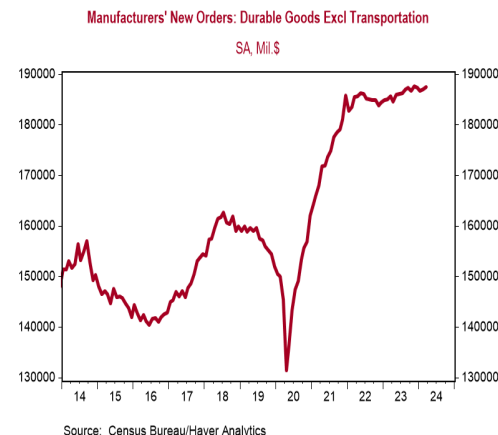


March Durable Goods

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- New orders for durable goods rose 2.6% in March (+2.0% including revisions to prior months), versus a consensus expected gain of 2.5%. Orders excluding transportation rose 0.2% (+0.1% including revisions), matching consensus expectations. Orders are up 1.3% from a year ago, while orders excluding transportation have risen 1.0%.
- A surge in orders for commercial aircraft and autos led gains across most major categories in March.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.2% in March and was up at a 2.0% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.4% in March and are up 9.1% in the past year.

Implications: Durable goods orders rose a healthy 2.6% in March, with gains heavily concentrated around the typically volatile transportation sector. The largest gain was commercial aircraft, up 30.6% in March, while motor vehicles and parts rose a solid 2.1%. Strip out the volatile transportation sector and orders rose 0.2% in March (+0.1% including revisions), and are up a very modest 1.0% in the past year. Factor in inflation (which have tempered on the goods side of the economy following a surge during COVID), and orders are roughly flat over the past twelve months. Looking at the details of the report shows rising orders across most major non-transportation categories – led by computers and electronic products (+0.8%), fabricated metal products (+0.2%), and machinery (+0.1%) – which were partially offset by declining orders for primary metals (-0.5%). The most important number in the release, core shipments – a key input for business investment in the calculation of GDP – rose 0.2% in March and were up at a 2.0% annualized rate in Q1 versus the Q4 average. The growth in shipments has moderated significantly since the start of 2022, and we expect this trend to continue as the economy feels the lagged effects of the Federal Reserve’s actions to tighten monetary policy. Consistent with other economic data, orders and shipments for durable goods have been choppy of late, and we expect a number of factors will keep the path forward rocky as we move through 2024: monetary policy from the Federal Reserve, the withdrawal symptoms following the COVID-era economic morphine that artificially boosted both consumer and business spending, and the ongoing shift toward services that likely means goods-related activity will soften in the year ahead, even as some durables that facilitate services remain healthy. In other recent news, the Federal Reserve reported yesterday that the M2 measure of the money supply rose 0.4% in March, but remains down 0.3% from a year ago, and is down 4.1% from the peak in April 2022. This is not a good sign for Real GDP growth in the year ahead and consistent with our view that recession risks remain.



| Durable Goods <i>All Data Seasonally Adjusted</i> | Mar-24 | Feb-24 | Jan-24 | 3-mo % ch. annualized | 6-mo % ch. annualized | Yr to Yr % Change |
|---|---------------|---------------|---------------|--|--|------------------------------------|
| New Orders for Durable Goods | 2.6% | 0.7% | -6.9% | -14.1% | -7.9% | 1.3% |
| <i>Ex Defense</i> | 2.3% | 1.5% | -7.9% | -16.5% | -8.6% | 1.7% |
| <i>Ex Transportation</i> | 0.2% | 0.1% | -0.3% | 0.4% | 0.1% | 1.0% |
| <i>Primary Metals</i> | -0.5% | 0.7% | -1.6% | -5.4% | -1.6% | -1.6% |
| <i>Industrial Machinery</i> | 0.1% | 1.5% | -0.8% | 3.2% | -1.3% | 1.0% |
| <i>Computers and Electronic Products</i> | 0.8% | -1.9% | 1.0% | -0.4% | 1.0% | 1.8% |
| <i>Transportation Equipment</i> | 7.7% | 1.8% | -18.3% | -35.7% | -21.1% | 1.9% |
| Capital Goods Orders | 6.0% | 0.3% | -17.0% | -39.3% | -21.8% | 1.4% |
| Capital Goods Shipments | -1.4% | 2.2% | -2.3% | -6.0% | -4.4% | 3.6% |
| <i>Defense Shipments</i> | -0.4% | 0.7% | 1.6% | 7.9% | 6.4% | 8.7% |
| <i>Non-Defense, Ex Aircraft</i> | 0.2% | -0.6% | 0.9% | 1.7% | 0.5% | 1.0% |
| Unfilled Orders for Durable Goods | 0.4% | -0.1% | 0.0% | 1.2% | 6.7% | 9.1% |

Source: Bureau of the Census