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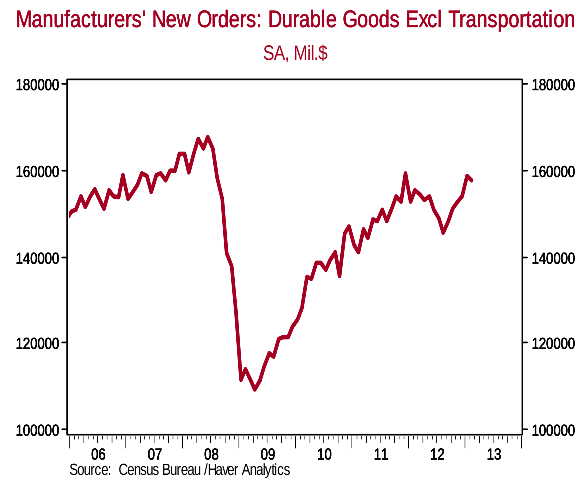
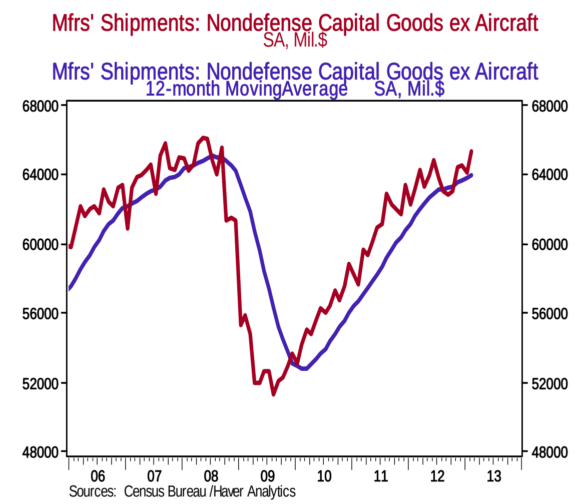
# February Durable Goods

**Brian S. Wesbury** – Chief Economist
**Robert Stein, CFA** – Senior Economist
**Strider Elass** – Economic Analyst

- New orders for durable goods rose 5.7% in February (+6.8% including revisions to January), coming in well above the consensus expected gain of 3.9%. Orders excluding transportation declined 0.5%, but were unchanged including revisions to January. The consensus expected a gain of 0.5%. Overall new orders are up 3.8% from a year ago, while orders excluding transportation are up 1.4%.
- The rise in overall orders was led by a massive gain in civilian aircraft, along with gains in motor vehicles and parts.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 1.9% in February (+2.4% including revisions to January). If unchanged in March, these shipments will be up at a 5.8% annual rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.9% in February and are up 1.4% from last year.

**Implications**: Orders for durable goods boomed in February, but the details of the report show continued plow horse-like growth. The massive gain in orders in February was completely due to the very volatile transportation sector. Orders for aircraft vary greatly from month to month and there was a large increase in orders for civilian aircraft. Taking out transportation, orders were down 0.5% (unchanged including revisions to January). Despite this, it looks like businesses are gaining more confidence. Looking at the charts to the right, both orders and shipments are clearly rising and we expect a continuation of the recent upward trend in both going forward. Shipments of "core" capital goods, which exclude defense and aircraft, were up 1.9% in February, a good sign for Q1 GDP. Monetary policy is loose, corporate profits and balance sheet cash are at record highs (earning almost zero interest), and the recovery in home building is picking up steam. All of these indicate more business investment ahead. In other news this morning, the Richmond Fed index, a survey of mid-Atlantic manufacturers, fell to +3 in March from +6 in February. Manufacturing reports have been coming in mostly positive for the month and are consistent with an increase in the national ISM index for March. At present, we're forecasting 54.8 for March versus 54.2 for February.




| Durable Goods<br>*All Data Seasonally Adjusted* | Feb-13 | Jan-13 | Dec-12 | 3-mo % ch. annualized | 6-mo % ch. annualized | Yr to Yr % Change |
|---|---|---|---|---|---|---|
| ***New Orders for Durable Goods*** | **5.7%** | -3.8% | 3.6% | 22.7% | 36.5% | 3.8% |
| ***Ex Defense*** | **4.5%** | 1.1% | 0.3% | 26.2% | 36.9% | 4.4% |
| ***Ex Transportation*** | **-0.5%** | 2.9% | 0.8% | 13.3% | 17.0% | 1.4% |
| ***Primary Metals*** | **1.7%** | -1.3% | 1.6% | 8.3% | 18.0% | 3.7% |
| ***Industrial Machinery*** | **-2.2%** | 15.8% | -3.0% | 45.6% | 57.1% | 3.7% |
| ***Computers and Electronic Products*** | **1.3%** | -4.6% | 2.7% | -2.9% | 2.6% | -9.2% |
| ***Transportation Equipment*** | **21.7%** | -17.8% | 9.9% | 46.0% | 98.0% | 9.4% |
| ***Capital Goods Orders*** | **13.6%** | -11.2% | 11.5% | 60.0% | 93.8% | 1.1% |
| ***Capital Goods Shipments*** | **0.7%** | -2.7% | 1.1% | -4.0% | 4.7% | 3.0% |
| ***Defense Shipments*** | **4.8%** | -11.6% | 5.9% | -7.4% | 6.0% | 7.0% |
| ***Non-Defense, Ex Aircraft*** | **1.9%** | -0.7% | 0.1% | 5.6% | 7.4% | 3.5% |
| ***Unfilled Orders for Durable Goods*** | **0.9%** | -0.1% | 0.7% | 6.6% | 4.2% | 1.4% |

*Source: Bureau of the Census*