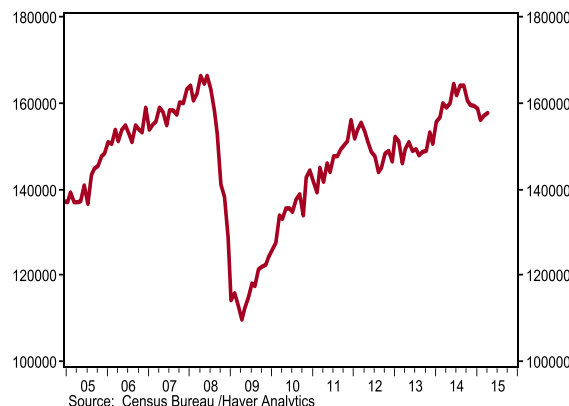


# April Durable Goods

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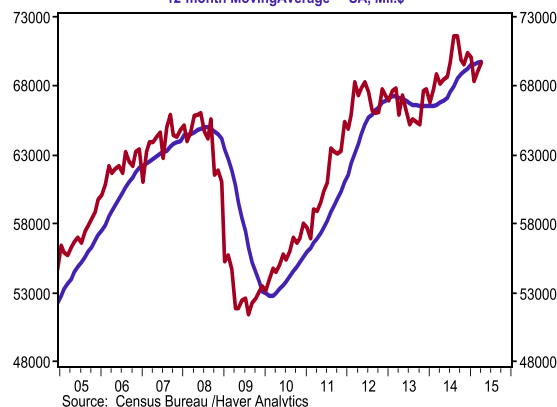
- New orders for durable goods declined 0.5% in April, matching consensus expectations, but were down only 0.1% including revisions to prior months. Orders excluding transportation rose 0.5% in April (+0.8% including revisions to prior months), above the consensus expected gain of 0.3%. Orders are down 2.3% from a year ago while orders excluding transportation are down 0.9%.
- The decline in overall orders in April was led by aircraft as well as computers/electronics, which offset gains in machinery and fabricated metals.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.8% in April (+1.0% including revisions to prior months). If unchanged in May and June these shipments will be up at a 2.9% annualized rate in Q2 versus the Q1 average.
- Unfilled orders were unchanged in April but are up 7.1% from last year.

**Manufacturers' New Orders: Durable Goods Excl Transportation**  
 SA, Mil.\$



**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
 SA, Mil.\$

**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
 12-month MovingAverage SA, Mil.\$



**Implications:** A solid report on new orders for durable goods today. Although the headline number slipped 0.5% in April, the underlying details of the report were encouraging. The decline in overall orders was due to the very volatile transportation sector, specifically a 6.1% drop in aircraft orders. Orders excluding transportation rose 0.5% in April and were revised up into positive territory for March. Orders for durables had been facing downward pressure from the drop in energy prices since the middle of last year. But, now that energy prices have stopped falling and have somewhat stabilized, orders for durables outside the transportation sector should move higher. For example, orders for machinery showed declines in February and March, but in April, machinery orders were up 3.1%. We think this is a positive sign that the worst is behind for those in the energy sector. The better numbers coming out of the durables sector over the past two months are more confirmation that the drop in Q1 GDP was not the start of a new recession, but caused by temporary factors which have now dissipated, including bad weather, West Coast port strikes, and the aforementioned drop in energy prices. The best piece of news in today's report was that "core" shipments, which exclude defense and aircraft, rose 0.8% in April and were revised higher in March. If unchanged in May and June, "core" shipments will be up at a 2.9% annual rate in Q2 versus the Q1 average. Plugging these and other recent data into our models, we are forecasting a downward revision to Q1 real GDP growth to a -0.9% annual rate. However, we also expect a rapid rebound in Q2, just like last year. We expect gains in orders for durables in the year ahead. Consumer purchasing power is growing with more jobs and higher incomes, while debt ratios remain very low, leaving room for an upswing in big-ticket spending. Meanwhile, profit margins are high, corporate balance sheets are loaded with cash, and capacity utilization is near long-term norms, leaving more room (and need) for business investment. In other news today, the Richmond Fed index, which measures mid-Atlantic factory sentiment, rose to +1 in May from -3 in April.

<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>Apr-15</b>	<b>Mar-15</b>	<b>Feb-15</b>	<b>3-mo % ch.</b> <b>annualized</b>	<b>6-mo % ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>New Orders for Durable Goods</b>	<b>-0.5%</b>	5.1%	-3.5%	3.7%	-1.9%	-2.3%
<b>Ex Defense</b>	<b>0.2%</b>	3.4%	-3.0%	1.8%	0.1%	1.5%
<b>Ex Transportation</b>	<b>0.5%</b>	0.6%	-1.7%	-2.4%	-3.7%	-0.9%
<b>Primary Metals</b>	<b>1.0%</b>	-2.3%	-3.2%	-16.7%	-16.0%	-4.7%
<b>Industrial Machinery</b>	<b>3.1%</b>	-0.6%	-3.1%	-3.0%	-2.1%	-5.5%
<b>Computers and Electronic Products</b>	<b>-3.6%</b>	7.7%	-0.4%	14.3%	7.3%	3.5%
<b>Transportation Equipment</b>	<b>-2.5%</b>	15.2%	-7.3%	17.7%	2.1%	-5.1%
<b>Capital Goods Orders</b>	<b>-0.7%</b>	8.2%	-4.3%	11.8%	-0.6%	-9.5%
<b>Capital Goods Shipments</b>	<b>1.1%</b>	1.6%	-2.2%	1.8%	2.0%	4.6%
<b>Defense Shipments</b>	<b>-2.8%</b>	7.8%	-0.9%	16.2%	-3.9%	-1.2%
<b>Non-Defense, Ex Aircraft</b>	<b>0.8%</b>	1.0%	-2.3%	-2.1%	-0.6%	2.2%
<b>Unfilled Orders for Durable Goods</b>	<b>0.0%</b>	0.1%	-0.6%	-2.0%	-2.3%	7.1%

Source: Bureau of the Census