February Durable Goods

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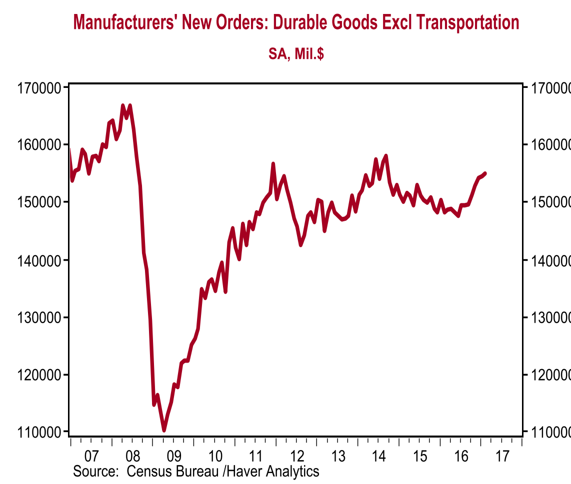
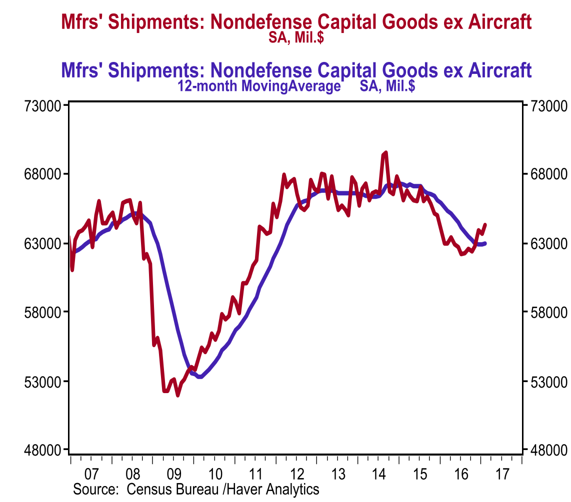
- New orders for durable goods rose 1.7% in February (+2.0% including revisions to January), beating a consensus expected 1.4%. Orders excluding transportation rose 0.4% in January (+0.5% including revisions to January), coming in below the consensus expected rise of 0.6%. Orders are up 5.0% from a year ago while orders excluding transportation are up 4.6%.
- The rise in orders in February was mostly due to commercial aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 1.0% in February. If unchanged in March, these shipments will be up at a 6.9% annualized rate in Q1 versus the Q4 average.
- Unfilled orders were unchanged in February but are down 1.4% from last year.

Implications: Business investment is getting its mojo back. New orders for durable goods rose once again in February following a healthy increase in January. The February rise was due in large part to commercial aircraft orders, but strip out the volatile transportation sector and durable goods orders still rose 0.4%. Non-transportation orders were led higher in February by primary metals, electrical equipment, appliances & components, and machinery. These non-transportation orders have been steadily trending higher since mid-2016, and have risen in each of the last six months. Meanwhile machinery orders rose once again in February and have not shown a monthly decline since April of last year. This is, in part, a sign of continued improvements in the energy sector, which had been pulling down machinery investment since oil prices started declining in mid-2014. Shipments of "core" capital goods - non-defense, excluding aircraft – rose 1.0% in February. If unchanged in March, these shipments will be up at a 6.9% annual rate in Q1 versus the Q4 average. This series is important for GDP and, despite a modest decline in new orders for "core" capital goods in February, should continue to be a positive contributor to growth in the quarters ahead. Taken as a whole, today's report on durable goods supports the pickup in manufacturing activity seen in other economic reports, and suggests that confidence from both consumers and companies is on the rise.





Durable Goods *All Data Seasonally Adjusted*	Feb-17	Jan-17	Dec-16	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	**1.7%**	2.3%	-0.9%	13.2%	7.1%	5.0%
Ex Defense	**2.1%**	2.1%	1.2%	24.0%	10.1%	4.3%
Ex Transportation	**0.4%**	0.2%	0.9%	5.8%	7.7%	4.6%
Primary Metals	**2.3%**	-0.9%	-0.6%	2.9%	12.3%	6.0%
Industrial Machinery	**0.1%**	1.0%	1.3%	10.3%	12.5%	5.1%
Computers and Electronic Products	**-0.2%**	-0.7%	3.0%	8.8%	3.8%	5.3%
Transportation Equipment	**4.3%**	7.0%	-4.3%	29.6%	6.0%	5.9%
Capital Goods Orders	**2.6%**	5.2%	-3.2%	18.8%	6.5%	9.0%
Capital Goods Shipments	**0.6%**	-0.2%	2.0%	9.8%	7.0%	2.8%
Defense Shipments	**5.1%**	-0.5%	-0.9%	14.7%	21.7%	13.6%
Non-Defense, Ex Aircraft	**1.0%**	-0.3%	1.7%	9.8%	6.6%	2.1%
Unfilled Orders for Durable Goods	**0.0%**	-0.3%	-0.8%	-4.2%	-1.5%	-1.4%

Source: Bureau of the Census