

## March Durable Goods

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- New orders for durable goods rose 0.7% in March (+1.2% including revisions to February), coming in below the consensus expected 1.3%. Orders excluding transportation declined 0.2% in March (unchanged including revisions to February), coming in below the consensus expected rise of 0.4%. Orders are up 4.5% from a year ago while orders excluding transportation are up 4.6%.
- The rise in orders in March was mostly due to aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.4% in March and was up at a 7.5% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.2% in March but are down 1.0% from last year.

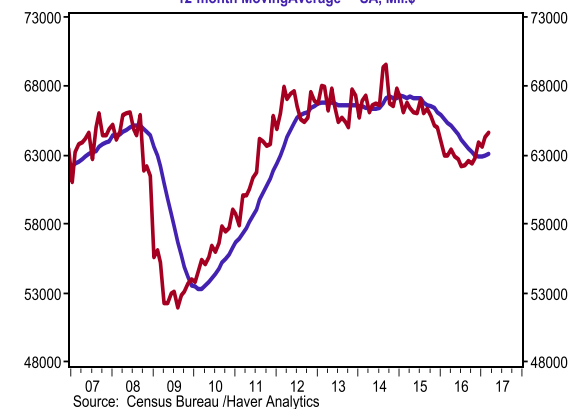
**Implications:** Before we dig into the details, the most important news from today's report on durable goods is that shipments of non-defense capital goods excluding aircraft – the measure used to calculate business investment for GDP purposes – rose at a 7.5% annual rate in Q1 versus the Q4 average. That represents the fastest growth of business investment in equipment since the big slowdown in drilling activity began in Q3 2014. New orders for durable goods rose once again in March following healthy increases in January and February, though gains were mostly due to orders for aircraft, which are very volatile from month to month. Strip out the transportation sector and durable goods orders declined a slight 0.2%. The dip in March non-transportation orders was led by fabricated metal products, with most major categories showing small declines. But there is little reason for concern. Non-transportation orders have been steadily trending higher since mid-2016, and March represents the first monthly decline since June of last year. Machinery orders also dipped in March, but we expect them to pick up again in the months ahead alongside continued improvements in the energy sector, which had been pulling down machinery investment since oil prices started declining in mid-2014. Put it all together and the March report on durable goods could have been better, but it still shows a healthy pickup in business investment that had been a weak spot until late 2016. In other news this morning, new claims for unemployment insurance increased 14,000 last week to 257,000. The four-week moving average is 242,000. Continuing claims rose 10,000 to 1.98 million. Plugging these figures into our models suggests robust job growth in April, with a payroll gain north of 200,000.

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.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-17	Feb-17	Jan-17	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>0.7%</b>	2.3%	2.4%	23.9%	9.4%	4.5%
<b>Ex Defense</b>	<b>0.1%</b>	2.7%	2.2%	21.9%	9.1%	5.6%
<b>Ex Transportation</b>	<b>-0.2%</b>	0.7%	0.3%	3.3%	8.0%	4.6%
<b>Primary Metals</b>	<b>0.8%</b>	3.1%	-0.7%	13.8%	14.8%	6.0%
<b>Industrial Machinery</b>	<b>-0.2%</b>	0.4%	1.2%	5.6%	11.5%	5.2%
<b>Computers and Electronic Products</b>	<b>-0.2%</b>	-0.3%	-0.6%	-4.4%	6.3%	4.7%
<b>Transportation Equipment</b>	<b>2.4%</b>	5.5%	7.0%	78.3%	12.1%	4.2%
<b>Capital Goods Orders</b>	<b>2.5%</b>	4.1%	5.2%	58.7%	10.8%	5.2%
<b>Capital Goods Shipments</b>	<b>0.6%</b>	0.6%	-0.2%	4.0%	4.0%	3.4%
<b>Defense Shipments</b>	<b>-4.0%</b>	4.8%	-0.5%	0.5%	11.8%	9.3%
<b>Non-Defense, Ex Aircraft</b>	<b>0.4%</b>	1.1%	-0.4%	4.6%	6.5%	2.5%
<b>Unfilled Orders for Durable Goods</b>	<b>0.2%</b>	0.1%	-0.3%	0.3%	-0.2%	-1.0%

Source: Bureau of the Census