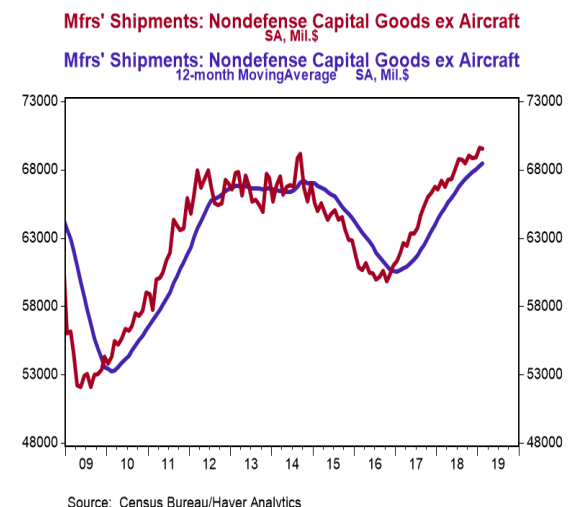
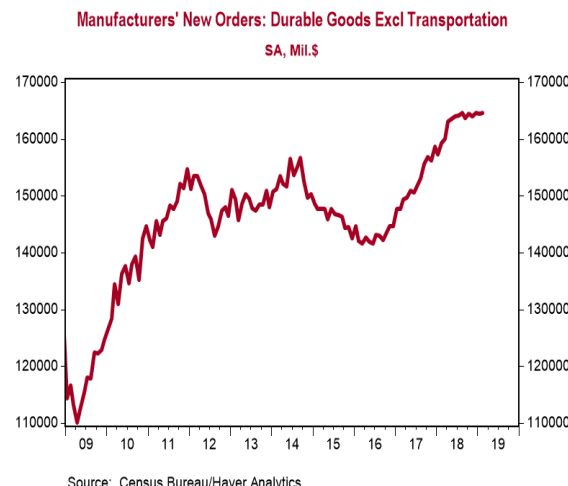


February Durable Goods

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- New orders for durable goods declined 1.6% in February (-1.9% including revisions to prior months), versus a consensus expected -1.8%. Orders excluding transportation rose 0.1% in February (+0.2% including revisions to prior months), matching consensus expectations. Orders are up 1.8% from a year ago while orders excluding transportation are up 3.3%.
- The decline in orders in February was led by civilian aircraft and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure was unchanged in February. If also unchanged in March, these shipments will be up at a 3.7% annualized rate in Q1 versus the Q4 average.
- Unfilled orders declined 0.3% in February but are up 3.5% in the past year.

Implications: As expected, durable goods orders turned lower in February as Boeing orders fell in the fallout over the 737 Max-8. So you can take today’s headline reading of a 1.6% decline in new orders with a grain of salt. Instead, cut through the noise created by the volatile transportation sector, and note that orders excluding transportation rose 0.1% in February (0.2% including upward revisions to prior months). A closer look at the details of the February report shows that rising orders for primary metals, fabricated metal products, and electrical equipment more than offset a decline in orders for machinery. And more important than month-to-month changes in either direction, the trend continues to show a healthy pace of activity, with total orders still up 1.8% in the past year even with the February decline, while orders excluding transportation are up 3.3% in the past twelve months. Among the most important data released in the durables report are shipments of non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), which was unchanged in February following January’s healthy 1.0% gain, and, if also unchanged in March, will be up at a 3.7% annualized rate in Q1 vs the Q4 average. The growth in “core” shipments continues the trend seen in 2018, which posted the fastest full-year growth rate in “core” shipments in six years. Clearly, the promised benefits to business investment from the Tax Cuts and Jobs Act have, in fact, materialized. There is little doubt that some will point to today’s headline number as a sign of recessionary conditions, but that’s pure hogwash. Boeing’s problems with the MAX are not going to take down the US economy. As far as the data show ([see yesterday’s report from the manufacturing sector](#)), companies - and consumers - don’t seem nearly as worried as the pouting pundits. And political posturing – while providing a seemingly unending source of fodder for “news” networks - has little chance of denting the strong growth track that entrepreneurs and innovators have set us on.



Durable Goods <i>All Data Seasonally Adjusted</i>	Feb-19	Jan-19	Dec-18	3-mo % ch. Mar-19	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.6%	0.1%	1.3%	-1.0%	-7.3%	1.8%
Ex Defense	-1.9%	0.4%	2.2%	2.9%	-4.0%	2.6%
Ex Transportation	0.1%	-0.1%	0.3%	1.2%	-0.1%	3.3%
Primary Metals	0.7%	-1.8%	0.0%	-4.4%	-5.8%	5.3%
Industrial Machinery	-0.3%	2.0%	-0.4%	4.9%	-0.7%	0.7%
Computers and Electronic Products	-0.3%	-1.8%	-0.4%	-9.7%	2.0%	6.1%
Transportation Equipment	-4.8%	0.4%	3.2%	-5.0%	-19.0%	-0.8%
Capital Goods Orders	-5.9%	1.0%	2.2%	-11.0%	-21.1%	-4.7%
Capital Goods Shipments	-0.2%	-0.9%	0.7%	-1.5%	5.0%	5.4%
Defense Shipments	-5.3%	3.0%	4.8%	9.5%	10.7%	12.8%
Non-Defense, Ex Aircraft	0.0%	1.0%	0.1%	4.1%	2.5%	3.5%
Unfilled Orders for Durable Goods	-0.3%	0.1%	-0.1%	-1.2%	0.1%	3.5%

Source: Bureau of the Census