

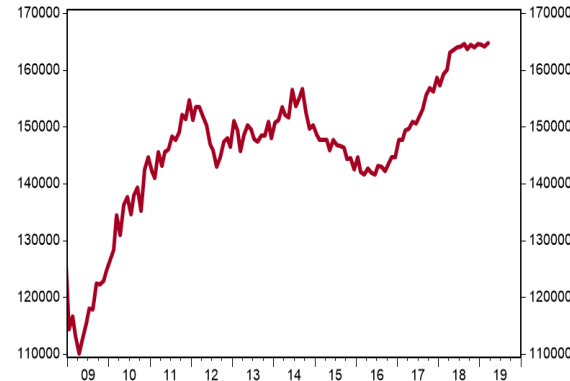
## March Durable Goods

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

- New orders for durable goods rose 2.7% in March (+3.2% including revisions to prior months), well above the consensus expected +0.8%. Orders excluding transportation rose 0.4% in March (+0.3% including revisions to prior months), versus a consensus expected rise of 0.2%. Orders are up 2.3% from a year ago while orders excluding transportation are up 2.9%.
- The rise in orders in March was led by civilian aircraft and autos.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.2% in March, but rose at a 4.2% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.3% in March, and are up 3.0% in the past year.

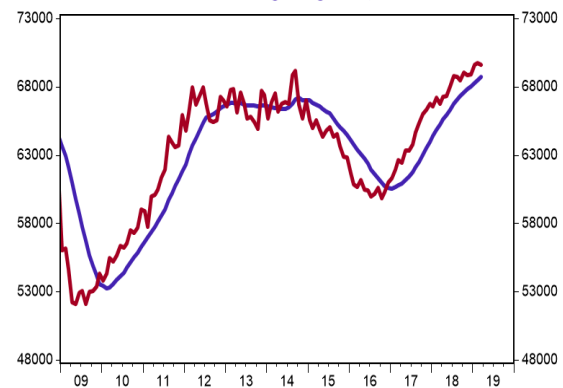
**Implications:** While questions remain about the 737 Max-8, rising orders for Boeing 777 and 787 aircraft led durable goods orders higher in March. Motor vehicles and parts, meanwhile, rose a healthy 2.1% following two months of modest declines. But it wasn't just the volatile transportation sector moving higher in March, as orders excluding transportation rose 0.4%. A closer look at the details of the March report shows that rising orders for computers & electronic products and machinery more than offset declines in orders for fabricated metal products and primary metals. And more important than the single-month change, the trend continues to show a healthy pace of activity, with total orders up 2.3% in the past year, while orders excluding transportation are up 2.9% in the past twelve months. While the pace of growth has slowed for orders excluding transportation in recent months, that has primarily come from metal products (both primary metals and fabricated metal products). Machinery and computer products – which provide a better gauge of corporate investment – continue to show growth in orders. Among the most important data released in the durables report are “core” shipments of non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), which declined 0.2% in March. But February data were revised higher, and, paired with the strong growth in January, these shipments rose at a 4.2% annualized rate in Q1 vs the Q4 average. This growth in “core” shipments continues the trend seen in 2018, which posted the fastest full-year growth rate in “core” shipments in six years, and a pickup in “core” orders paints a positive sign for the second quarter as well. Plugging today's data into our model suggests real GDP growth of 2.6% in the first quarter. That's a far cry from the near flat to negative reading some forecasters – including the Federal Reserve Bank of Atlanta - were predicting at the start of the year (and which the media jumped on, stoking fears). Worst case scenarios proved, once again, excessively pessimistic. In other news this morning, initial claims for unemployment rose 37,000 last week to 230,000, with recent readings likely impacted by the timing of the Easter holiday. Continuing claims, meanwhile, rose 1,000 to 1.655 million. Both figures suggest another month of solid job growth in April. On the manufacturing front, the Kansas City Fed Index, a measure of factory sentiment in the region, declined to a still solid +5 in April from +10 in March, signaling continued growth. Plugging this into our national ISM models suggests a reading of 55.0 for April, a slight decline in the index but suggesting continued gains in manufacturing production.

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



Source: Census Bureau/Haver Analytics

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



Source: Census Bureau/Haver Analytics

Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-19	Feb-19	Jan-19	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>2.7%</b>	-1.1%	0.1%	6.6%	-1.3%	2.3%
<b>Ex Defense</b>	<b>2.3%</b>	-1.7%	0.4%	3.5%	3.3%	0.7%
<b>Ex Transportation</b>	<b>0.4%</b>	-0.2%	-0.1%	0.5%	1.2%	2.9%
<b>Primary Metals</b>	<b>-0.2%</b>	0.7%	-1.8%	-5.5%	-3.9%	0.3%
<b>Industrial Machinery</b>	<b>0.3%</b>	-0.7%	2.1%	6.8%	-1.1%	3.9%
<b>Computers and Electronic Products</b>	<b>2.2%</b>	0.3%	-1.9%	2.0%	6.2%	7.4%
<b>Transportation Equipment</b>	<b>7.0%</b>	-2.9%	0.4%	18.3%	-5.4%	1.2%
<b>Capital Goods Orders</b>	<b>6.6%</b>	-3.9%	1.0%	14.8%	4.5%	-0.5%
<b>Capital Goods Shipments</b>	<b>0.2%</b>	0.0%	-0.9%	-2.7%	1.3%	5.7%
<b>Defense Shipments</b>	<b>1.0%</b>	-4.0%	3.0%	-0.5%	13.4%	14.2%
<b>Non-Defense, Ex Aircraft</b>	<b>-0.2%</b>	0.2%	1.0%	4.1%	3.4%	3.8%
<b>Unfilled Orders for Durable Goods</b>	<b>0.3%</b>	-0.2%	0.1%	0.5%	-0.6%	3.0%

Source: Bureau of the Census