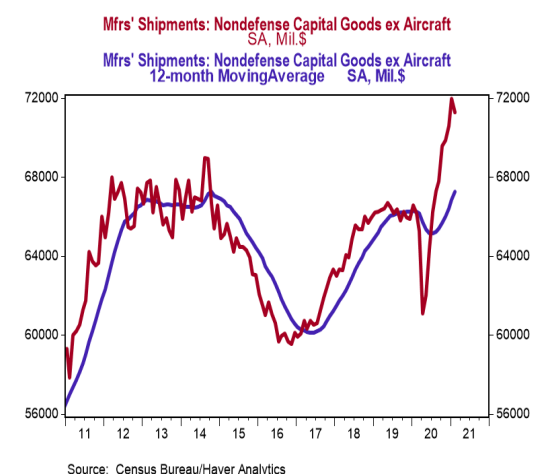
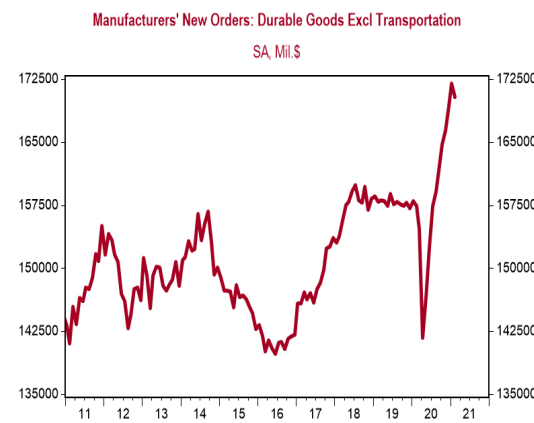


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February Durable Goods

- New orders for durable goods declined 1.1% in February (-1.0% including revisions to prior months), falling short of the consensus expected gain of 0.5%. Orders excluding transportation declined 0.9% in February (-0.7% including revisions), versus a consensus expected gain of 0.5%. Orders are up 3.2% from a year ago, while orders excluding transportation are up 8.2%.
- The decline in orders in February was led by autos, fabricated metals, and machinery.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 1.0% in February. If unchanged in March, these shipments will be up at an 8.8% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.8% in February but are down 5.8% in the past year.

Implications: Orders for durable goods felt the chill of the polar vortex that swept the middle of the country in February, declining for the first time since last April. As we saw in last week’s report on retail sales, autos were hit particularly hard due to the combination of weather (Texas alone typically accounts for nearly 10% of cars sold nationally), and a shortage of semiconductors that has curtailed production. And with fewer people out buying cars, new orders for motor vehicles and parts declined a hefty 8.7% in February. Beyond the typically volatile transportation sector, the data didn’t get much better. Nearly every major category of durables declined in February, with just electrical equipment, appliances & components eking out a modest increase. That said, even with the February drop, new orders are up 3.2% in the past year (+8.2% excluding transportation) and are up at an 18.9% annualized rate over the past six months. And we expect the February slowdown will be short-lived, with a strong return to growth in March. The winter weather looks to be behind us, while March has seen massive progress on the vaccination front – more than 50 million doses administered so far this month alone – states are easing restrictions, and the passage of the \$1.9 trillion stimulus bill has already led to more than \$240 billion deposited into consumer bank accounts. The wind is at our backs, and the next few months have the potential for some of the fastest economic growth in decades. One of the most important pieces of data from today’s report, shipments of “core” non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP growth), fell 1.0% in February. However, if unchanged in March, this measure will be up at an 8.8% annualized rate in Q1 versus the Q4 average. Keep in mind, the fourth quarter had an impressive 18.3% annualized pace of growth, and that came on the heels of Q3, which rose at a record high 33.1% annualized pace. In other words, though the pace of growth in business investment is slowing down, it will remain a tailwind for an economy on pace for real GDP growth of around 6.0% in 2021.



Durable Goods <i>All Data Seasonally Adjusted</i>	Feb-21	Jan-21	Dec-20	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.1%	3.5%	1.2%	15.1%	18.9%	3.2%
<i>Ex Defense</i>	-0.7%	2.3%	1.5%	13.0%	19.5%	4.9%
<i>Ex Transportation</i>	-0.9%	1.6%	1.8%	10.0%	14.6%	8.2%
<i>Primary Metals</i>	-0.5%	2.6%	1.6%	15.9%	23.9%	6.4%
<i>Industrial Machinery</i>	-0.6%	0.0%	3.4%	11.1%	11.7%	5.9%
<i>Computers and Electronic Products</i>	-0.5%	-0.5%	0.1%	-3.1%	9.7%	8.9%
<i>Transportation Equipment</i>	-1.6%	7.5%	0.1%	26.3%	28.5%	-5.8%
Capital Goods Orders	2.9%	8.5%	-1.1%	48.5%	47.5%	5.4%
Capital Goods Shipments	-2.6%	2.9%	2.5%	11.6%	13.2%	7.4%
<i>Defense Shipments</i>	-0.9%	3.0%	-4.2%	-9.0%	16.0%	5.0%
<i>Non-Defense, Ex Aircraft</i>	-1.0%	1.9%	1.1%	8.4%	12.2%	8.1%
Unfilled Orders for Durable Goods	0.8%	0.2%	-0.2%	3.1%	0.7%	-5.8%

Source: Bureau of the Census