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January Durable Goods

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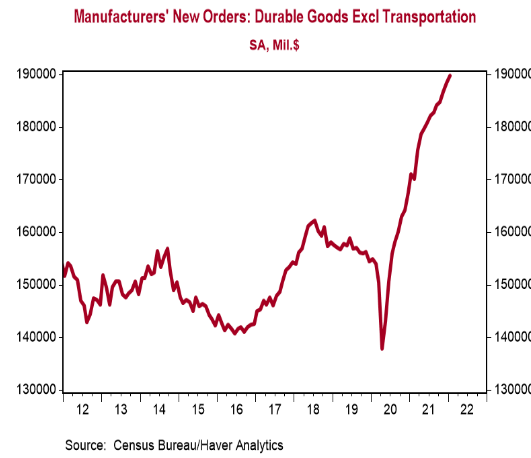
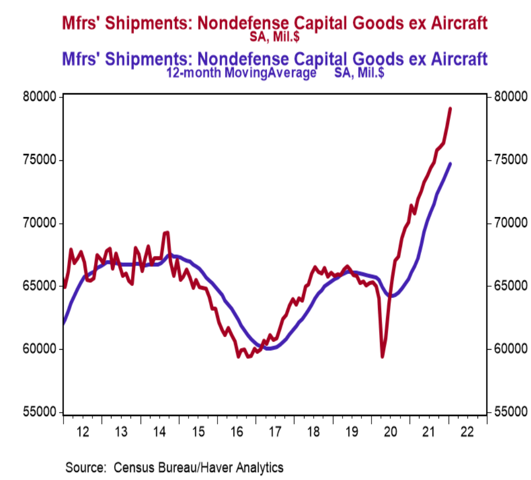
- New orders for durable goods increased 1.6% in January (+3.5% including revisions to prior months), beating the consensus expected gain of 1.0%. Orders excluding transportation rose 0.7% in January (+1.0% including revisions), also beating the consensus expected gain of 0.4%. Orders are up 14.1% from a year ago, while orders excluding transportation are up 11.0%.

- The gain in orders in January was led by non-defense aircraft and machinery.

- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 1.9% in January. If unchanged in February and March, these shipments will be up at an 13.2% annualized rate in Q1 versus the Q4 average.

- Unfilled orders rose 0.9% in January and are up 8.8% in the past year.





Implications: New orders for durable goods rose for the eighth time in nine months in January, a sign that factories are continuing to ramp up production at a breakneck pace in order to meet an explosion of demand as the US economy reopens. Moreover, data from prior months was revised up significantly as well, and along with today's headline gain of 1.6%, pushed up durable goods 3.5% in January versus the originally reported numbers in December. Looking at the details, increases in January were broad-based, with nearly every major category posting gains. The biggest positive contribution in today's report came from the notoriously volatile transportation sector, specifically civilian aircraft. However, even after stripping out transportation, orders posted a solid gain of 0.7%. Outside of transportation, the big driver of new orders came from industrial machinery, which rose 2.3% in January. One of the most important pieces of today's report, shipments of "core" non-defense capital goods ex-aircraft (a key input for business investment in the calculation of GDP), rose 1.9% in January, the largest increase in twelve months. If these shipments are unchanged in February and March, that would represent a 13.2% annualized gain in Q1 versus the Q4 average. Look for business investment to continue to be a tailwind for GDP growth in 2022. Durable goods orders continue to be one of the bright spots in the US economy in the aftermath of the COVID-19 pandemic. With a combined 71.4% increase since the April 2020 bottom, new orders now sit 20.2% above the pre-pandemic high in February 2020, signaling an extremely sharp recovery.

Durable Goods *All Data Seasonally Adjusted*	Jan-22	Dec-21	Nov-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	**1.6%**	1.2%	3.2%	26.3%	14.9%	14.1%
Ex Defense	**1.6%**	2.7%	2.7%	31.6%	17.5%	16.6%
Ex Transportation	**0.7%**	0.9%	1.1%	11.6%	8.5%	11.0%
Primary Metals	**0.2%**	3.3%	-0.1%	14.7%	7.1%	21.3%
Industrial Machinery	**2.3%**	1.3%	-0.9%	11.3%	5.7%	15.1%
Computers and Electronic Products	**0.0%**	-2.7%	4.2%	5.5%	6.9%	4.4%
Transportation Equipment	**3.4%**	1.7%	8.2%	67.4%	30.8%	21.4%
Capital Goods Orders	**5.2%**	-1.0%	6.1%	49.0%	27.8%	26.6%
Capital Goods Shipments	**2.3%**	1.1%	0.4%	16.2%	11.3%	10.5%
Defense Shipments	**4.2%**	-1.7%	0.4%	11.7%	3.6%	10.8%
Non-Defense, Ex Aircraft	**1.9%**	1.6%	0.4%	17.0%	13.0%	10.8%
Unfilled Orders for Durable Goods	**0.9%**	0.8%	0.8%	10.7%	9.3%	8.8%

Source: Bureau of the Census