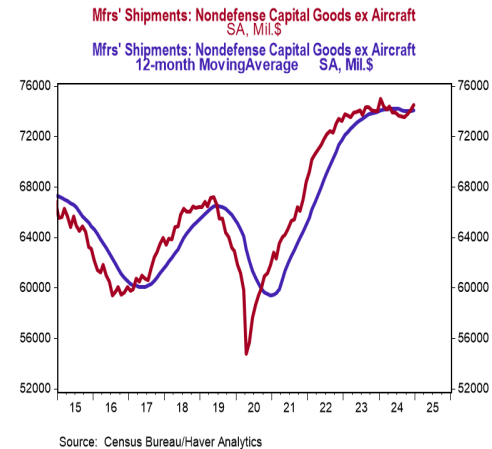
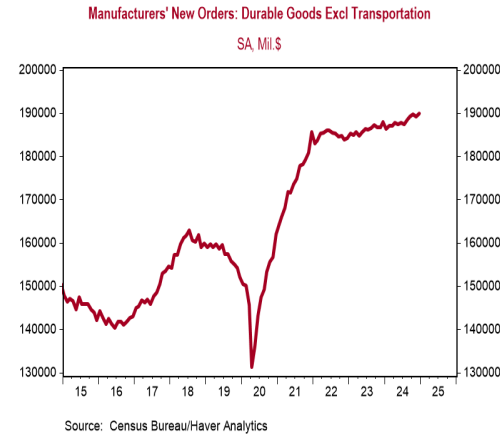


February Durable Goods

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- New orders for durable goods rose 0.9% in February (+1.1% including revisions to prior months) beating the consensus expected decline of 1.0%. Orders excluding transportation rose 0.7% in February (+0.8% including revisions) versus a consensus expected +0.2%. Orders are up 3.4% from a year ago, while orders excluding transportation have risen 2.0%.
- Rising orders for autos, defense aircraft, and primary metals were partially offset by declining orders for commercial aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.9% in February. If unchanged in March, these shipments would be up at a 2.7% annualized rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.1% in February and are up 0.6% in the past year.

Implications: New orders for durable goods surprised to the upside in February, rising 0.9% following a 3.3% jump in January. That comfortably outpaced the consensus expected 1.0% decline, while prior months data were revised slightly upward as well. Transportation led activity higher in February, with orders for autos rising 4.0% — the largest monthly gain in nearly three years – and defense aircraft orders up 9.3%. Orders for commercial aircraft fell 5.0% in February but that comes following a 92.9% surge in January. Clearly, transportation orders can swing wildly from month to month, particularly as aircraft orders tend to come in chunks rather than steadily over time, and the potential timing of orders at the start of 2025 to front-run expected tariffs may be further clouding the data. Excluding the transportation sector, orders for durable goods rose 0.7% in February (+0.8% when including revisions to prior months), with orders higher across most major categories. Orders were led higher by primary metals (+1.2%), while fabricated metal products (+0.9%), and electrical equipment (+2.0%) also showed healthy order growth. Computers and electronic product orders were unchanged in February. The most important number in the release, core shipments – a key input for business investment in the calculation of GDP – rose 0.9% in February. If unchanged in March, these orders would be up at a 2.7% annualized rate in Q1 versus the Q4 average. But while core shipments rose in February, orders for these items fell for the first time since October, which likely reflects a pause in investment plans from businesses as they figure out where policy out of D.C. is headed in the months ahead. With the Trump Administration back in Washington with a mandate to cut taxes, regulations, and the size of government, we expect volatility in the data to continue as businesses navigate the new policy environment and how that may change the outlook for investment and growth. In turn, the Federal Reserve will navigate what these changes mean for the path of inflation. There is plenty of potential for both progress and payback in 2025, but policy makers must decide if they are willing to take the uncomfortable steps towards needed reform, or if they will default to the more comfortable – but far less sustainable – path of large deficit spending that has unfortunately become the norm. In other recent news, the M2 measure of the money supply grew 0.4% in February, partly because the Treasury Department is draining the Treasury General Account, which was near \$800 billion a year ago and is now down to roughly \$400 billion. In other words, the 3.9% growth in M2 from a year ago is partly due to the Treasury putting money back into the economy. The Fed and Treasury must be careful.



Durable Goods <i>All Data Seasonally Adjusted</i>	Feb-25	Jan-25	Dec-24	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.9%	3.3%	-1.8%	10.3%	1.6%	3.4%
Ex Defense	0.8%	3.7%	-1.8%	10.8%	2.6%	2.4%
Ex Transportation	0.7%	0.1%	0.1%	3.5%	2.6%	2.0%
Primary Metals	1.2%	1.9%	-0.6%	10.3%	6.4%	4.2%
Industrial Machinery	0.2%	0.0%	0.2%	1.7%	0.0%	0.1%
Computers and Electronic Products	0.0%	1.8%	0.4%	9.1%	4.9%	4.5%
Transportation Equipment	1.5%	10.2%	-5.5%	25.0%	-0.3%	6.1%
Capital Goods Orders	-1.5%	10.4%	-5.2%	12.9%	-2.6%	4.7%
Capital Goods Shipments	0.4%	2.7%	3.0%	27.1%	0.9%	8.9%
Defense Shipments	-0.3%	-0.7%	-1.1%	-8.1%	0.4%	4.1%
Non-Defense, Ex Aircraft	0.9%	-0.2%	0.3%	4.0%	3.0%	-1.3%
Unfilled Orders for Durable Goods	0.1%	0.2%	-0.3%	-0.1%	1.9%	0.6%

Source: Bureau of the Census