Datanote: US Durable Goods Orders, March

In one line: Rounding off another weak quarter for equipment investment

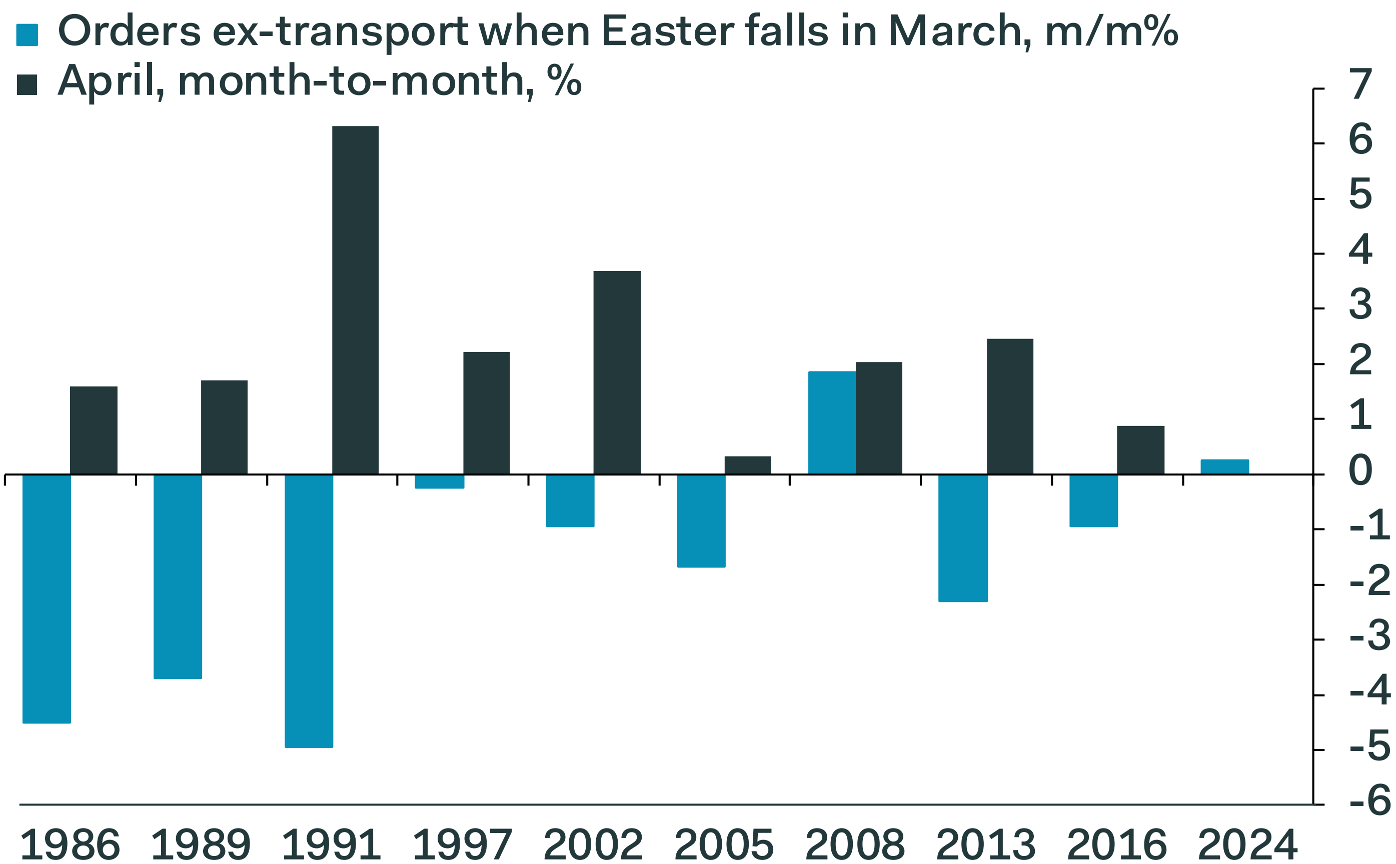
- March durable goods orders rose by 2.6%, close to the consensus, 2.5%. Net revisions were -0.6%.
- Orders ex-transportation ticked up by 0.2%, in line with the consensus. Net revisions were -0.2%.
- Nondefense capital goods orders ex-

aircraft also increased by 0.2% too, in line with the consensus. Net revisions were -0.2% too.

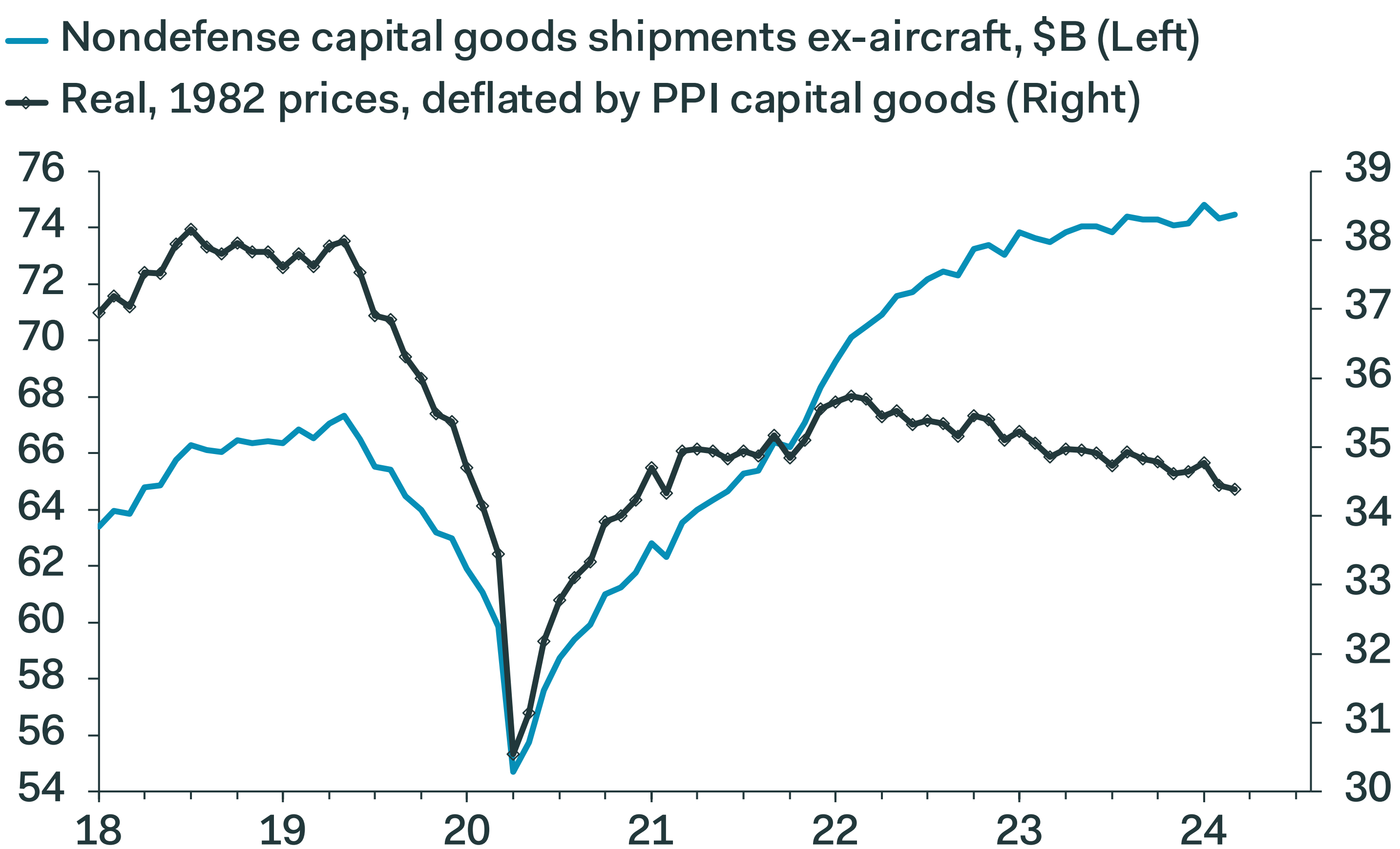
The jump in headline orders was driven largely by a 47% surge in the aircraft component, as orders at Boeing rebounded after a weak February. We are more surprised by the 0.2% increase in orders ex-transportation, since this measure typically falls in years when Easter has been in March, before rebounding in April, as our first chart shows. It is impossible to say whether the increase this March is due to a weaker Easter effect this year, or an offsetting improvement in the underlying trend. April's report will tell us more, with the potential for a strong number to signal that investment activity is starting to turn a corner, even as the services sector slows. But we don't want to overdo the optimism here; orders ex-transportation were weak across Q1 as a whole, with a small downward revision to February's number meaning that they fell by 0.3% annualized in nominal terms.

The small increase in nondefense capital goods orders ex-aircraft was also better than we expected, although a downward revision in February means that this measure also fell slightly in Q1. In any event, core capex shipments are more important than orders, because the shipments numbers are a direct input into the private equipment investment in the GDP accounts. Core capital goods orders do not reliably lead shipments and are also nosier. Shipments rose by 0.2% in March, also bucking our expectations that Easter effects would lead to a small fall. Again, we don't yet know if this means the Easter effect in the data has been fixed or if the underlying data are improving, in which case April's number could be strong. Core capital goods shipments rose at a 2.0% annualized rate in Q1 in nominal terms, but significant increases in capital goods prices in recent months mean that shipments fell by around 1.5% in real terms.

The slightly-stronger-than-expected March shipments mean our forecast for growth in equipment investment in Q1 rises, but only marginally, to -1.6% from -1.8%. Our forecasts for overall fixed investment and GDP are unchanged to one decimal place, at 3.1% and 2.6%, respectively. The big picture here is that investment remains weak, and this is unlikely to change dramatically while credit conditions remain restrictive, especially for smaller firms.



Orders ex-transport when Easter falls in March, m/m%
April, month-to-month, %
7
6
5
4
3
2
1
0
-1
-2
-3
-4
-5
-6
1986
1989
1991
1997
2002
2005
2008
2013
2016
2024



Nondefense capital goods shipments ex-aircraft, $B (Left)
Real, 1982 prices, deflated by PPI capital goods (Right)
76
74
72
70
68
66
64
62
60
58
56
54
39
38
37
36
35
34
33
32
31
30
18
19
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21
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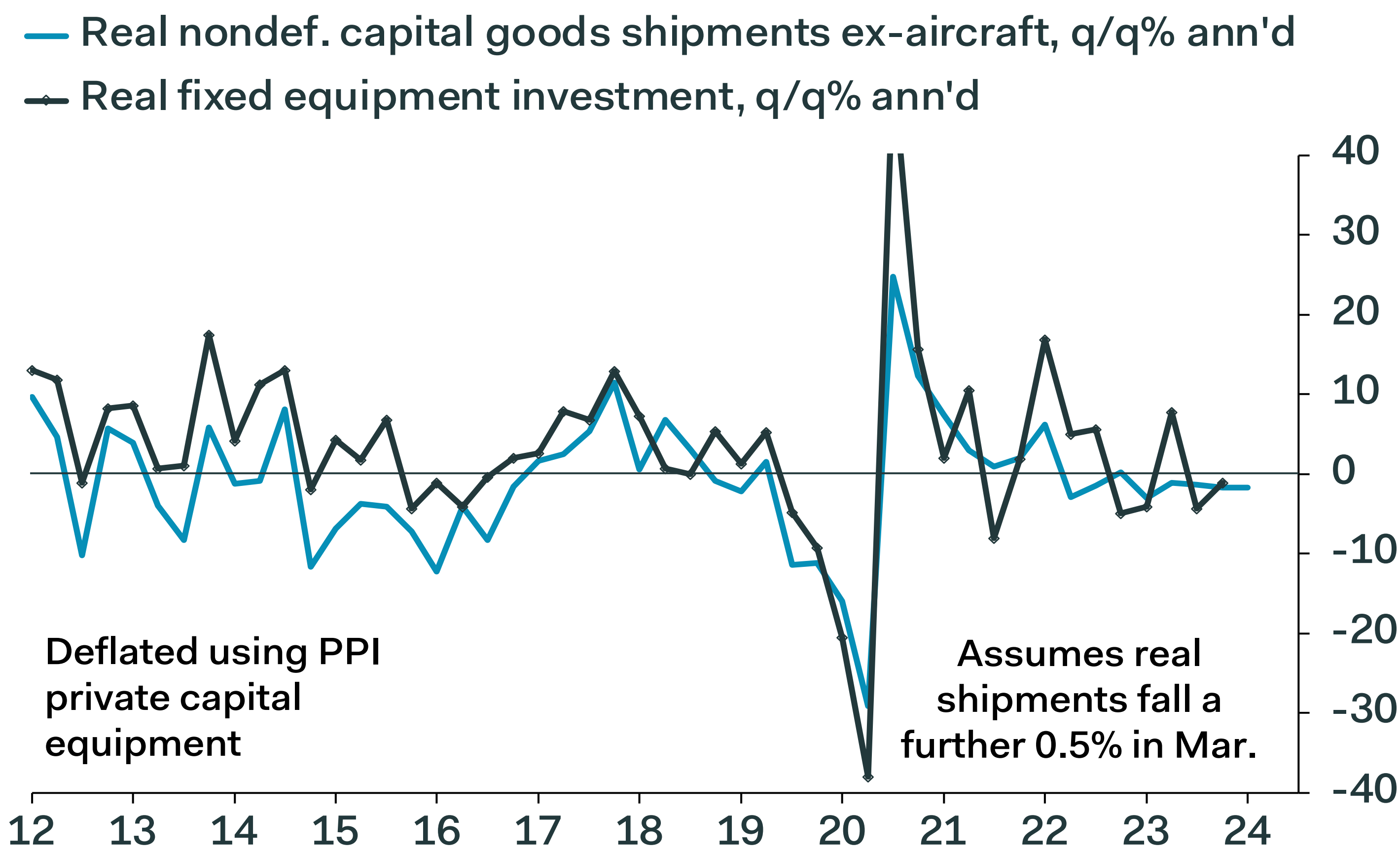

Real nondef. capital goods shipments ex-aircraft, q/q% ann'd
Real fixed equipment investment, q/q% ann'd
Deflated using PPI private capital equipment
Assumes real shipments fall a further 0.5% in Mar.
40
30
20
10
0
-10
-20
-30
-40
12
13
14
15
16
17
18
19
20
21
22
23
24