



## Economics Group

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## Durable Orders Stabilize in April, but Weaker Trend in Place

*Durable goods orders increased 0.2 percent in April. Orders ex-transportation slipped another 0.6 percent. Non-defense capital goods, ex-aircraft, have dropped for two-consecutive months.*

### Durable Goods Orders—Glass Half Full or Half Empty?

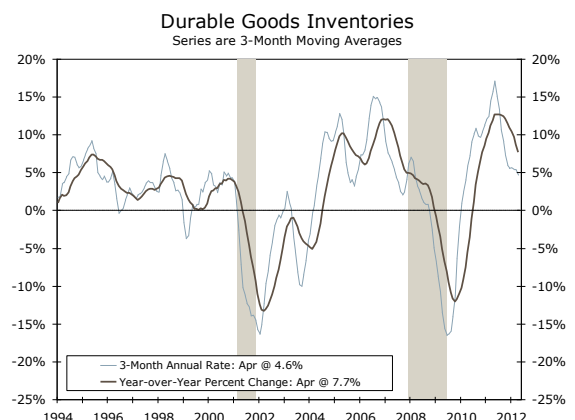
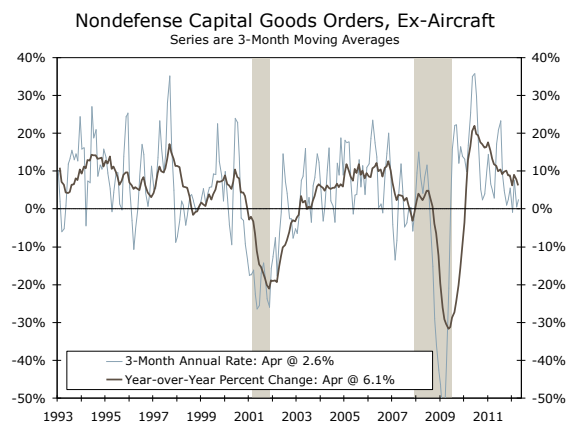
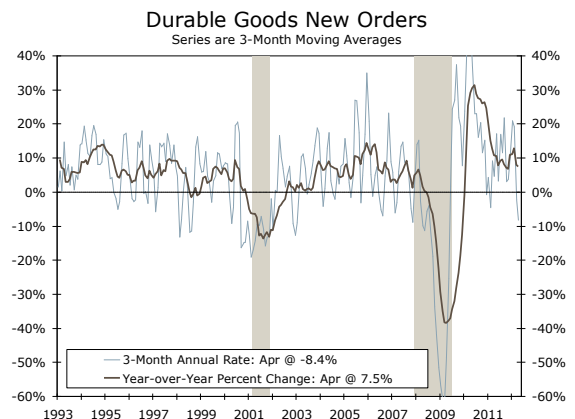
Headline durable goods orders for April managed to rebound 0.2 percent after dropping an upwardly revised 3.7 percent in March. This brings the year-over-year growth rate for durable goods orders down to 6.3 percent. Excluding transportation, durable goods orders slipped 0.6 percent on the month, largely driven by a 21.5 percent decline in defense orders. As of April, defense orders were 41.4 percent lower than a year ago. The implication of this weaker trend in durable goods orders is that there is likely to be less business fixed investment in the coming quarters than we have seen over the past year. Nondefense capital goods orders, excluding aircraft, a widely cited leading indicator of business investment spending, dropped 1.9 percent in April after falling 2.2 percent in March. Even so, the three-month moving average of nondefense capital goods orders, excluding aircraft, managed to improve to a 2.6 percent annualized rate from a 0.5 percent rate in March. The good news is that weaker global growth is not yet leading to a collapse in durable goods orders in the United States. On a relative basis, U.S. durable orders are holding up fairly well, considering the substantial headwinds.

### Some Negative Trends Are Beginning to Form

April was another weak month of durable orders for machinery, fabricated metals, computers and electronics and electrical equipment. Machinery orders dropped 2.8 percent in April after plunging 4.9 percent in March. Machinery orders are now 3.4 percent below year-ago levels. Fabricated metals orders fell 2.0 percent in April, but were still 4.5 percent higher than in April 2011. Computer and electronic orders fell fractionally, down 0.6 percent in April, though these orders have been falling for two-consecutive months. Helping to balance out the weakness in April, vehicle and parts orders remained solid, rising 5.6 percent in April and pushing the year-over-year increase to 18.0 percent. Nondefense aircraft orders also rebounded 7.2 percent in April, after plunging 46.6 percent in March.

### Durable Shipments Still Increasing at a Steady Pace

Shipments gained 0.7 percent in April, after an unrevised 1.0 percent gain in March. U.S. durable shipments remained 8.9 percent higher than year ago levels in April. Here, again, strength in vehicle and nondefense aircraft shipments continued to offset declining shipments for machinery, fabricated metals and electrical equipment. Durable inventories increased 0.3 percent on the month, after increasing 0.4 percent in March, suggesting that durable manufacturers continue to hold down inventory growth. The three-month change in durable inventories fell to a \$13.6 billion pace in April from nearly a \$20 billion pace in March. This brought the three-month annual change in durable inventories down to a modest 4.6 percent.



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