

Durable Goods (February)

- Durable goods orders were much weaker than expected falling 1.7% in February and declining 2.6% excluding transportation (transportation orders rose 0.6%—although aircraft orders rose 5.1%, vehicle orders declined 2.7%). Over the last three months, total durable goods orders have fallen at an 8.3% annualized rate versus an increase of 2.2% over the last year.
- Durable goods inventories rose 0.5% in February, while shipments declined 2.8%—the durable goods I/S ratio rose to 1.54 in February (the highest since November 2001) from 1.49 in January.
- Nondefense capital goods orders excluding aircraft fell 2.6% in February and shipments of these capital goods declined 2.1%. Thus far in the first quarter, nondefense capital goods orders excluding aircraft have risen only 0.6% at an annual rate, while shipments of these capital goods have fallen 1.9% on the same basis.

| | <u>Feb</u> | <u>Jan</u> | <u>Dec</u> | <u>3-Month Change</u> | <u>12-Month Change</u> |
|---|------------|------------|------------|---------------------------|----------------------------|
| Durable goods | | | | | |
| Orders | -1.7% | -4.7% | 4.4% | -8.3% | 2.2% |
| Ex. defense | -1.6% | -4.2% | 2.0% | -14.7% | 1.1% |
| Ex. transportation | -2.6% | -1.0% | 1.9% | -6.7% | 1.6% |
| Primary metals | 1.0% | 0.9% | -0.3% | 6.5% | 12.0% |
| Fabricated Metal Products | -1.7% | -3.2% | 1.1% | -14.5% | -0.7% |
| Indust. Machinery | -13.3% | 0.4% | 7.8% | -22.6% | 0.7% |
| Computers & electr. | 2.3% | -2.9% | 3.7% | 12.5% | 4.5% |
| Computers | 10.0% | -13.2% | 5.1% | 1.3% | 3.9% |
| Electrical equipment | 1.6% | -0.2% | 1.2% | 10.8% | 0.7% |
| Transportation | 0.6% | -12.6% | 10.1% | -11.9% | 3.6% |
| Aircraft | 5.1% | -30.7% | 24.4% | -32.6% | 22.8% |
| Motor Vehicles & Parts | -2.7% | 0.1% | -3.4% | -21.6% | -7.7% |
| Shipments | -2.8% | 2.3% | -0.3% | -3.6% | 1.9% |
| Backlogs | 0.8% | 0.8% | 2.5% | 17.2% | 18.4% |
| Inventories | 0.5% | 0.6% | 1.1% | 8.8% | 4.1% |
| Non-defense capital goods ex. Aircraft | | | | | |
| Orders | -2.6% | -1.8% | 5.2% | 2.1% | 4.7% |
| Shipments | -2.1% | -0.4% | 1.6% | -3.7% | 3.9% |
| Backlogs | 0.3% | 0.5% | 1.0% | 7.8% | 8.8% |

BOTTOM LINE: This weaker than expected report points to declining capital spending in the first quarter, falling orders, and a significant pickup in inventories in relation to sales. This is another report that has a strong recessionary feel about it.

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