

U.S. Data Review

- Durable goods orders: surprising resilience ex-transportation

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Durable Goods Orders

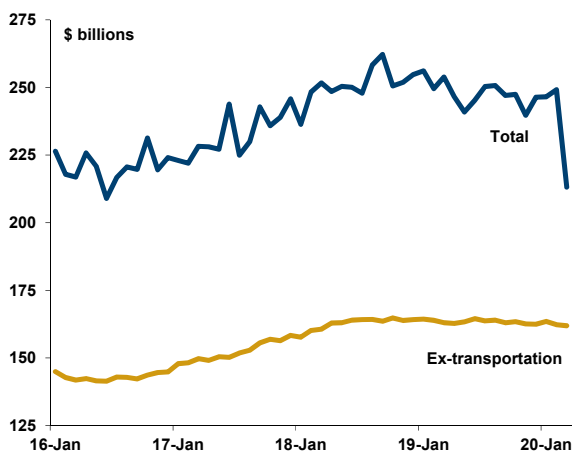
New orders for durable goods fell 14.4 percent in March, a bit weaker than the expected decline of 12.0 percent. However, the drop was concentrated in the transportation category, where bookings plunged 41.0 percent. Excluding the transportation component, bookings eased 0.2 percent, a surprisingly modest change given the potential influence of the coronavirus. Results in the prior month were revised lower, but the adjustments to growth of -0.1 percentage point overall and -0.2 percentage point ex-transportation were inconsequential.

The weakness in the transportation category was broad-based. Bookings for commercial aircraft stood out with a collapse of 295.7 percent (not a typo), reflecting a *negative* reading on new orders (i.e. net cancellations). Although the Census Bureau did not provide details, one has to suspect that Boeing was involved. Weak results for motor vehicles also contributed to the retreat in transportation orders with a drop of 18.4 percent. Slow sales of new cars and trucks apparently led to efforts by auto dealers to limit inventory accumulation. Miscellaneous transportation orders also were weak (off 15.7 percent excluding aircraft and autos). Details for miscellaneous transportation items are not available in this report, but previous reports on total factory orders showed unusual strength in bookings for ships and boats from December through February, and we suspect that this area cooled in March.

Excluding transportation, order flows seemed ordinary, a surprising development given the potential influence of the coronavirus. Several areas posted declines, but the magnitudes of various changes were not out of line with typical readings and most trends did not shift meaningfully.

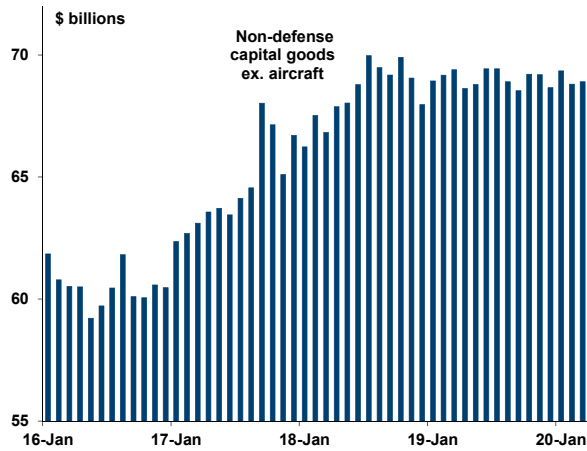
New orders for nondefense capital goods other than aircraft rose 0.1 percent, a minuscule advance, but surprising nonetheless given the current environment. Shipments of nondefense capital goods other than aircraft also held up reasonably well, showing a dip of only 0.2 percent. The small change in shipments offered hope that investment in new equipment in the GDP report next week will not be disastrous in the first quarter.

New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

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