

U.S. Flash

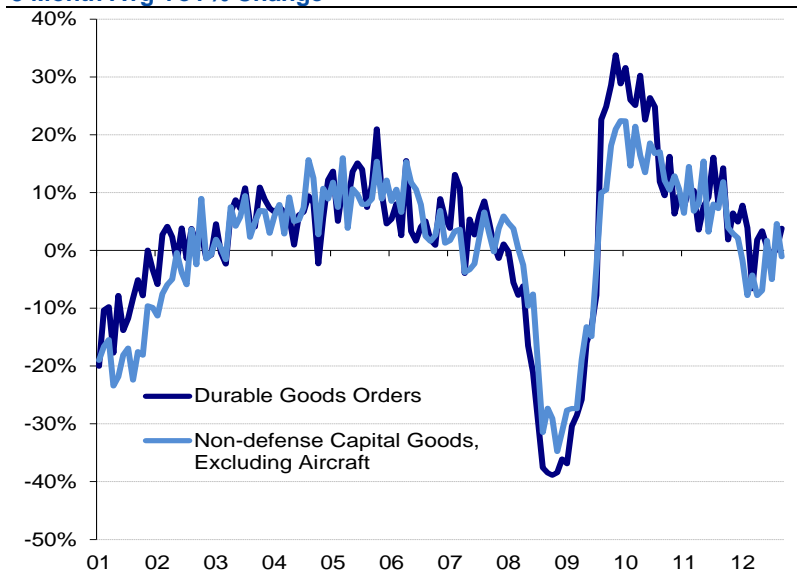
Durable Goods Orders Rise, Ex-Transportation Demand Falls

- **New orders for durable goods rose 5.7% in February on strong transport orders**
- **Defense goods orders continued to pendulum, up 40% following the prior 61% decline**
- **Nondefense capital goods orders ex aircraft dropped 2.7%**

Durable goods orders rose in February by 5.7% in large part due to an influx of transportation orders. Orders for non-defense aircraft and parts rose 95.3% while demand on the defense side rose a more modest 7.6% after a large 65% decline the month before. Vehicles also contributed to the stronger headline durable goods figure as demand continues to gain momentum, with orders up 3.9% in February, the component's largest gain in seven months. Excluding transportation however, the report is less sanguine. New orders for durable goods excluding transport equipment declined 0.5% after rising continuously for the past five months. This comes on the back of low capital goods orders that had driven the core figure as firms began to increase capital goods purchases. Fabricated metal products and machinery both declined in February, down 4.4% and 2.2% respectively. Computers and electronics rose 1.3% on better computer sales although the communications subcomponent did decline by 7.6%. On the upside, unfilled orders for the headline durable goods figure rose 0.95% which was its highest rate in a year and ought to lead to an increase in production for the coming months as they get processed.

Overall, the transportation sector continues to push and pull on durable goods orders as purchases come in for new aircraft and parts. At the core level, despite the slowdown in February, we expect durable goods orders excluding transportation to regain momentum in the coming months as stronger economic conditions warrant further purchases of capital goods.

Chart 1
Durable Goods Order
3 Month Avg YoY% Change



Source: U.S. Census Bureau & BBVA Research

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