

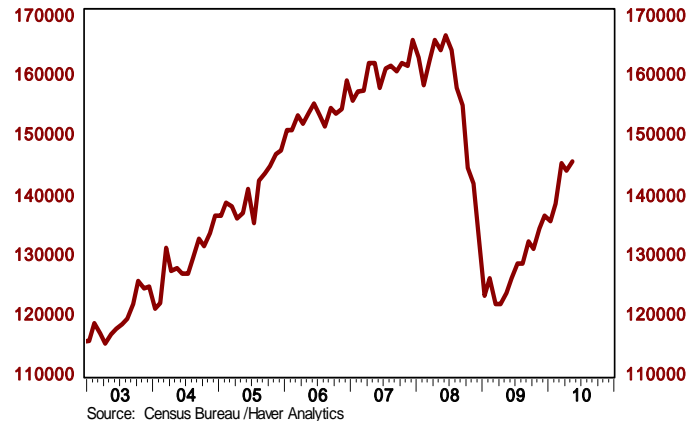
MAY DURABLE GOODS

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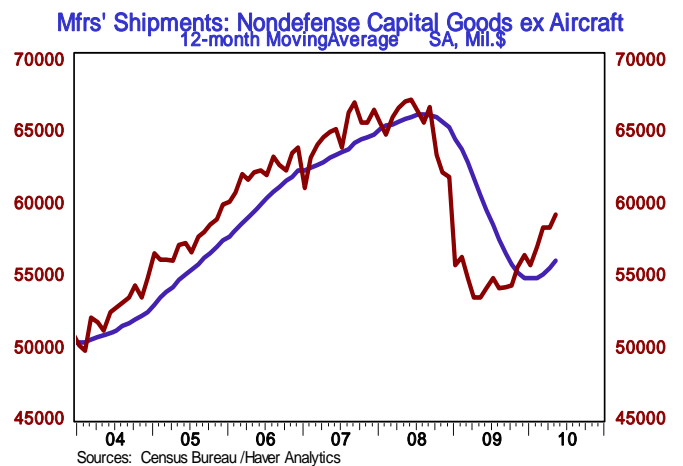
- New orders for durable goods declined 1.1% in May, narrowly beating the consensus expected drop of 1.4%. Excluding transportation, orders increased 0.9%, almost exactly matching consensus expectations. Orders are up 14.9% versus a year ago, 17.6% excluding transportation.
- The drop in orders in May can all be attributed to aircraft, which are extremely volatile. Orders for industrial machinery rebounded in May and are up at a 50.3% annual rate in the past three months.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 1.6% in May. If they remain unchanged in June, these shipments will be up at a 14.0% annual rate versus the Q1 average, the largest quarterly gain since early 2007.
- Unfilled orders increased 0.2% in May and were up 0.5% excluding the transportation sector.

Implications: Today's economic reports should help reverse the recent consensus that the US economy is stumbling. Excluding the transportation sector, which is extremely volatile from month to month, new orders for durable goods were up 0.9% in May and up 1.3% including upward revisions for April. Including transportation, overall orders were down 1.1% in May, but that follows a sharp 3% gain in April. Meanwhile, shipments of "core" capital goods, which excludes defense and aircraft, increased 1.6% in May and are up at a 16.5% annual rate in the past three months, near the strongest gains of the past 20 years. This is the data the government uses to estimate business investment in equipment. Gains in these shipments should continue; for the third straight month, new orders for core capital goods were running above shipments. In other news this morning, new claims for unemployment insurance fell 19,000 last week to 457,000. Continuing claims for regular state benefits declined 45,000 to 4.55 million.

Manufacturers' New Orders: Durable Goods Excl Transportation
SA, Mil.\$



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	May-10	Apr-10	Mar-10	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.1%	3.0%	0.1%	8.0%	17.6%	14.9%
<i>Ex Defense</i>	-1.1%	3.5%	0.0%	10.1%	16.5%	17.6%
<i>Ex Transportation</i>	0.9%	-0.8%	4.9%	21.9%	17.3%	17.6%
<i>Primary Metals</i>	0.8%	-0.1%	3.8%	19.5%	45.0%	57.3%
<i>Industrial Machinery</i>	5.6%	-5.5%	11.0%	50.3%	33.6%	20.8%
<i>Computers and Electronic Products</i>	0.1%	1.7%	5.3%	31.7%	12.3%	13.0%
<i>Transportation Equipment</i>	-6.9%	15.4%	-13.2%	-24.1%	18.5%	7.5%
Capital Goods Orders	-2.8%	6.4%	-5.7%	-9.5%	29.8%	12.2%
Capital Goods Shipments	-0.6%	-0.7%	1.9%	2.4%	3.3%	5.1%
<i>Defense Shipments</i>	-5.7%	-4.4%	-1.5%	-37.7%	-20.3%	-6.6%
<i>Non-Defense, Ex Aircraft</i>	1.6%	0.0%	2.3%	16.5%	13.6%	10.7%
Unfilled Orders for Durable Goods	0.2%	0.4%	-0.1%	2.2%	0.2%	-3.2%

Source: Bureau of the Census