

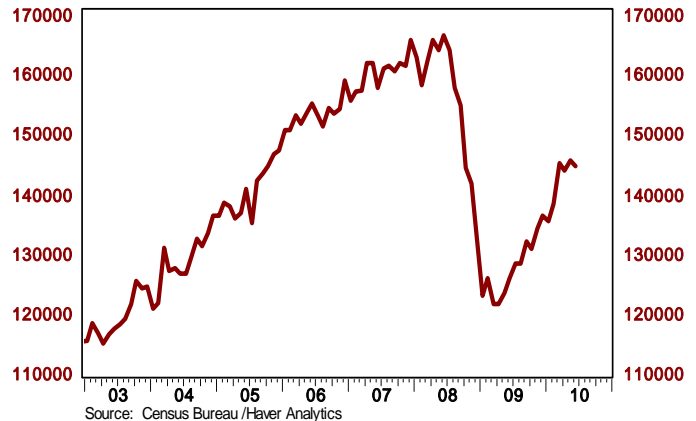
## JUNE DURABLE GOODS

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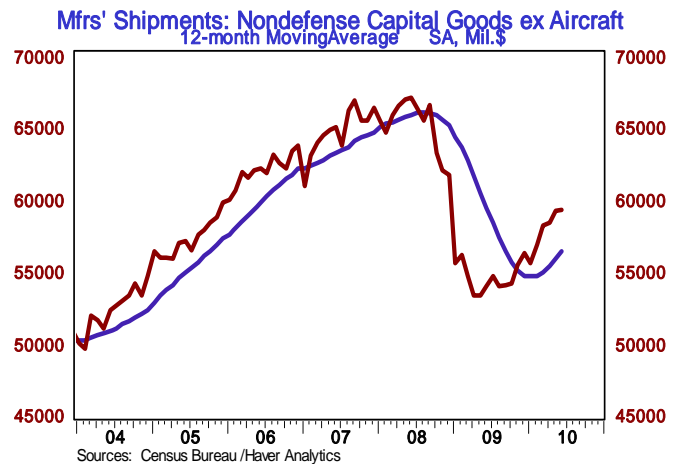
- New orders for durable goods declined 1.0% in June versus a consensus expected gain of 1.0%. Excluding transportation, orders declined 0.6%, also short of the consensus expected increase of 0.4%. Orders are up 15.9% versus a year ago, 15.0% excluding transportation.
- The drop in orders in June can be almost all attributed to civilian aircraft, which are very volatile. Computers/electronics also declined, while motor vehicles increased for the 4th straight month.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.2% in June, is up 10.1% in the past year, and increased at a 15.8% annual rate in Q2 versus the Q1 average.
- Unfilled orders were unchanged in June, but were up 0.8% excluding the transportation sector.

**Implications:** Overall orders declined 1% in June but the details of the report show capital spending is stronger than the headline suggests. Orders for civilian aircraft, which are extremely volatile from month to month, fell 25.6%. Excluding that single category, orders were essentially unchanged for the month, with increases in orders for motor vehicles/parts, fabricated metals, and electronic equipment/appliances roughly offsetting declines in orders for primary metals, machinery, and computers/electronics. Notably, all of the declining categories in June are ones where orders are still up substantially in the past year, with primary metals up 40%, machinery up 19%, and computers/electronics up 11%. Meanwhile, shipments of “core” capital goods, which exclude defense and aircraft, increased 0.2% in June, the ninth increase in the last ten months. This is the number the government uses to estimate business investment in equipment. Gains in these shipments should continue; new orders for core capital goods increased 0.6% in June and unfilled orders increased 1.1%. In other recent news, the Richmond Fed index, a measure of manufacturing in the mid-Atlantic, came in at +16 in July. That’s a decline versus +23 in June but was higher than the consensus anticipated and suggests continued healthy growth in the factory sector. The Case-Shiller index, a measure of home prices in the 20 largest metro areas, increased 0.5% in May and is up 4.6% in the past year.

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>	Jun-10	May-10	Apr-10	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>-1.0%</b>	-0.8%	2.9%	4.2%	13.7%	15.9%
<i>Ex Defense</i>	<b>-0.7%</b>	-0.7%	3.4%	8.1%	13.4%	17.1%
<i>Ex Transportation</i>	<b>-0.6%</b>	1.2%	-0.9%	-0.9%	12.7%	15.0%
<i>Primary Metals</i>	<b>-2.0%</b>	-0.6%	0.0%	-10.1%	11.9%	39.6%
<i>Industrial Machinery</i>	<b>-0.7%</b>	11.1%	-6.9%	11.6%	21.7%	18.5%
<i>Computers and Electronic Products</i>	<b>-1.9%</b>	0.1%	2.1%	1.2%	13.2%	10.7%
<i>Transportation Equipment</i>	<b>-2.4%</b>	-6.6%	15.4%	22.6%	16.9%	18.8%
<b>Capital Goods Orders</b>	<b>-2.3%</b>	-0.9%	6.3%	12.1%	30.6%	17.9%
<b>Capital Goods Shipments</b>	<b>0.6%</b>	-0.7%	-0.4%	-2.1%	-0.7%	4.5%
<i>Defense Shipments</i>	<b>-1.5%</b>	-6.3%	-4.4%	-39.5%	-19.0%	-13.2%
<i>Non-Defense, Ex Aircraft</i>	<b>0.2%</b>	1.5%	0.4%	8.5%	11.3%	10.1%
<b>Unfilled Orders for Durable Goods</b>	<b>0.0%</b>	0.3%	0.4%	2.6%	2.4%	-2.2%

Source: Bureau of the Census