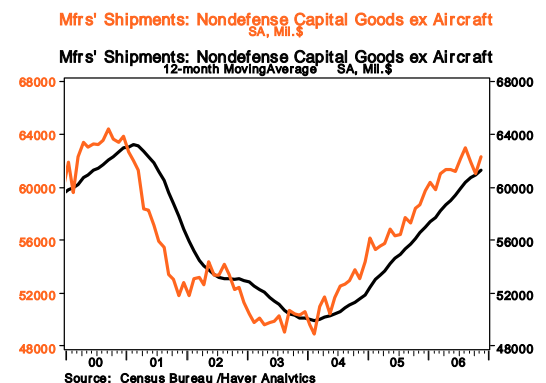
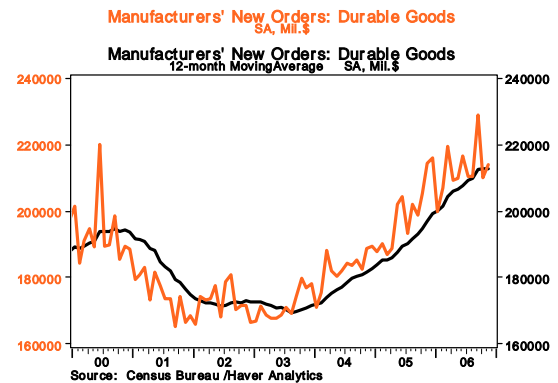


NOVEMBER DURABLE GOODS

Chief Economist - Brian S. Wesbury
Senior Economist - Robert Stein, CFA
Economic Research Assistant - Trevor D. Scott

- New orders for durable goods increased 1.9% in November, which was better than the consensus expected. However, new orders excluding transportation fell 1.1%, which was worse than the consensus expected.
- Orders for computers and electronic products increased 7.5% in November, a rebound from the revised 10.1% drop in October. Meanwhile, orders for industrial machinery dropped 8.9% after a revised 4.0% increase in October. Motor vehicle and parts new orders increased for the second consecutive month. Unfilled orders jumped 1.7% in November and are 20.4% above year-ago levels.
- When calculating business investment for the GDP accounts, the Commerce Department uses non-defense capital goods shipments excluding aircraft. That indicator increased 2.1% in November after dropping a revised 1.4% in October.

Implications: The durable goods report is always exciting and volatile, with big changes occurring on a monthly basis. The November report did not disappoint. However, it contained little in the way of truly definitive information on the direction of the economy. New orders exceeded expectations, but showed spotty growth. Transportation, computers and communication equipment orders were strong, but machinery, primary metal and fabricated metal orders were weak. Signs of underlying economic strength include the rebound in capital goods shipments, excluding defense and aircraft, and the 10th consecutive monthly increase in unfilled orders.



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-06	Oct-06	Sep-06	3-mo % ch. annualized	6-mo % ch. annualized	Yr over yr % ch.
New Orders for Durable Goods	1.9%	-8.2%	8.7%	7.0%	4.2%	0.0%
<i>Ex Defense</i>	0.6%	-6.4%	7.3%	4.2%	-0.3%	-2.2%
<i>Ex Transportation</i>	-1.1%	-1.6%	0.5%	-8.7%	-3.7%	3.4%
<i>Primary Metals</i>	-1.9%	0.1%	-3.1%	-18.0%	-11.2%	4.1%
<i>Industrial Machinery</i>	-8.9%	4.0%	3.4%	-7.6%	-3.9%	3.8%
<i>Computers and Electronic Products</i>	7.5%	-10.1%	2.2%	-4.5%	13.4%	10.4%
<i>Transportation Equipment</i>	9.4%	-21.3%	30.0%	57.0%	26.4%	-7.0%
Capital Goods Orders	3.2%	-18.2%	26.5%	29.7%	19.6%	-2.8%
Capital Goods Shipments	1.6%	-1.6%	-0.9%	-3.5%	3.3%	5.1%
<i>Defense Shipments</i>	0.6%	4.5%	-4.8%	0.3%	8.0%	8.7%
<i>Non-Defense, Ex Aircraft</i>	2.1%	-1.4%	-1.6%	-4.0%	3.2%	6.2%
Unfilled Orders for Durable Goods	1.7%	1.3%	4.1%	32.7%	23.0%	20.4%

Source: Bureau of the Census