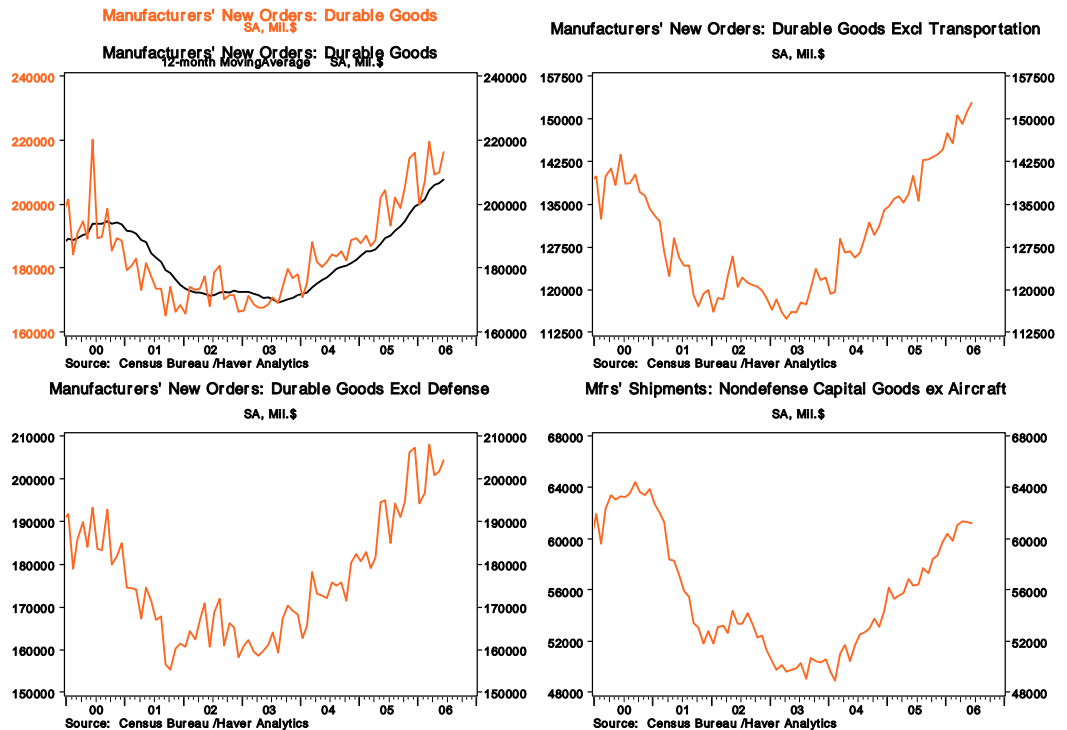


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JUNE DURABLE GOODS

- New orders for durable goods jumped 3.1% in June, well above the consensus estimates of a 1.5% gain. This gain follows an upwardly revised 0.3% increase in May (originally +0.2%). New orders for durable goods are up 5.8% in the past year.
- Transportation orders rose 8.6% in June. Excluding transportation, new orders increased 1.0% after a 1.5% gain in May, and are up 9.1% in the past year. Excluding defense, orders gained 1.3% in June and are 4.9% higher than a year ago.
- Shipments of durable goods rose 0.1% last month. Shipments of non-defense capital goods, ex aircraft (a proxy for capital investment) fell 0.2% last month, but are up 8.6% in the past year.



Implications: Durable goods orders (both including and excluding transportation) beat expectations in June and suggest that the supply side of the economy remains strong. Orders excluding transportation have been on a tear, rising 11.7% at annual rate during the first half of 2006, the fastest start to any year since 1997. In a slightly worrisome development, shipments of non-defense capital goods, excluding aircraft rose an annualized 5.7% in the Q2, the slowest growth since Q2 2005. This could signal a slightly weaker business investment component of Q2 real GDP. However, unfilled orders for non-defense capital goods, excluding aircraft jumped an annualized 12.9% in the second quarter, while unfilled orders for all durable goods increased an annualized 16.4%. This should keep capital spending strong in the second half of this year. Separately, initial claims for unemployment benefits fell 7,000 to 298,000 last week. The less-volatile, four-week moving average fell to 312,750. After a temporary bulge in late June and early July, initial claims have retreated back to a level that is consistent with a robust employment market. While the consumer gets all of the headlines, it is the supply-side of the economy that is the best bellwether of future economic performance. With business investment strong and initial claims low, the prospect of an economic slowdown remains minimal.

Durable Goods Orders <i>All data seasonally adjusted</i>	Jun-06	May-06	Apr-06	3-mo % ch. annualized	6-mo % ch. annualized	Yr over yr % ch.
Durable Goods Orders	3.1%	0.3%	-4.7%	-5.6%	0.2%	5.8%
Ex Defense	1.3%	0.5%	-3.5%	-6.6%	-2.7%	4.9%
Ex Transportation	1.0%	1.5%	-1.0%	6.0%	11.7%	9.1%
Primary Metals	0.7%	5.8%	4.5%	54.0%	25.8%	28.6%
Industrial Machinery	-0.3%	4.3%	-0.1%	16.7%	5.5%	10.5%
Computers and Electronic Products	3.4%	-2.1%	-11.2%	-34.7%	12.5%	0.8%
Transportation Equipment	8.6%	-2.8%	-12.7%	-27.7%	-21.2%	-1.4%
Shipments	0.1%	3.0%	-1.2%	7.5%	2.2%	8.4%
Unfilled Orders	1.7%	0.7%	1.5%	16.4%	16.5%	19.4%
Capital Goods Orders	5.7%	-2.4%	-8.9%	-22.1%	-10.0%	5.4%
Defense	51.2%	-7.3%	-26.8%	10.5%	180.7%	19.8%
Nondefense Capital Goods	1.3%	-1.9%	-6.5%	-25.7%	-20.3%	3.5%

Source: Bureau of the Census

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