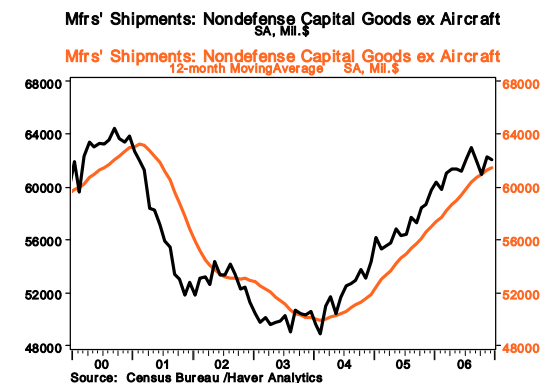
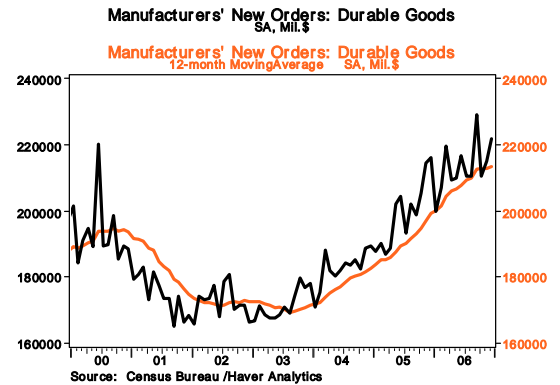


DECEMBER DURABLE GOODS

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- New orders for durable goods increased 3.1% in December, slightly better than the consensus expected. New orders excluding transportation increased 2.3%, which was much better than the consensus forecast of a 0.5% gain.
- The strength in orders was pretty much across the board. Orders for industrial machinery were up 5% after last month's plunge of 8.5%. Orders for primary metals and fabricated metals were up 4.5% and 2.5%, respectively. Orders for computers and electronic products increased 1% on top of the 8% gain last month. Motor vehicle and parts orders increased 6.8%, the third straight monthly gain and the strongest rise in more than two years. Unfilled orders leaped 2.3% in December and were 20.6% above year-ago levels, the largest increase for any calendar year since 1978.
- When calculating business investment for the GDP accounts, the Commerce Department uses non-defense capital goods shipments excluding aircraft. That indicator dropped 0.3% in December after a very large 2.1% increase in November. However, unfilled orders for these capital goods increased 1.7% in December and are up 17.8% versus last year.

Implications: The durable goods report suggests the US economy remains positioned for strong growth in 2007. Companies, many of which are awash in profits and cash, maintain a healthy appetite for expanding productive capacity. The only weakness in the report was in shipments of capital goods which will be factored into the assessment of the last quarter of 2006, a quarter that most other data suggest was strong. Orders, particularly unfilled orders, suggest shipments will quickly rebound in early 2007.



Durable Goods <i>All Data Seasonally Adjusted</i>	Dec-06	Nov-06	Oct-06	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	3.1%	2.2%	-8.1%	-11.9%	4.9%	2.6%
<i>Ex Defense</i>	3.9%	0.7%	-6.4%	-7.7%	5.0%	1.2%
<i>Ex Transportation</i>	2.3%	-1.0%	-1.8%	-1.9%	-2.8%	5.1%
<i>Primary Metals</i>	4.5%	-1.9%	-0.7%	7.3%	-4.9%	9.1%
<i>Industrial Machinery</i>	5.0%	-8.5%	3.8%	-1.1%	5.4%	6.1%
<i>Computers and Electronic Products</i>	1.0%	8.0%	-9.8%	-6.2%	5.1%	11.4%
<i>Transportation Equipment</i>	4.8%	10.2%	-20.7%	-29.5%	24.9%	-2.3%
Capital Goods Orders	5.5%	3.6%	-17.7%	-34.7%	20.4%	4.6%
Capital Goods Shipments	-0.4%	1.7%	-1.6%	-1.5%	2.7%	0.1%
<i>Defense Shipments</i>	-0.4%	0.4%	4.6%	19.6%	4.3%	4.5%
<i>Non-Defense, Ex Aircraft</i>	-0.3%	2.1%	-1.5%	1.3%	3.0%	3.9%
Unfilled Orders for Durable Goods	2.3%	1.8%	1.4%	24.2%	24.8%	20.6%

Source: Bureau of the Census