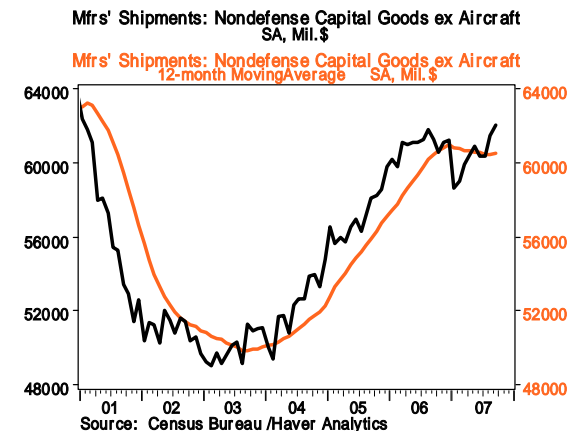
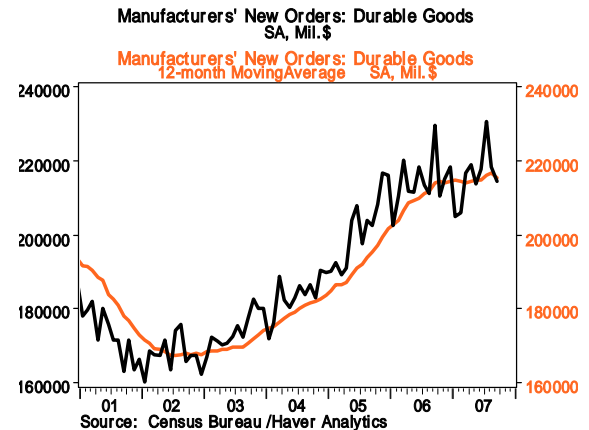


SEPTEMBER DURABLE GOODS

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- New orders for durable goods declined 1.7% in September versus a consensus expected rise of 1.5%. Excluding transportation, orders increased 0.3% versus a consensus expected increase of 0.7%.
- The decline in orders in September (-\$3.8 billion) was mostly due to defense aircraft and parts (-\$2.1 billion) and motor vehicles and parts (-\$1.1 billion). Other weak sectors included fabricated metals (-\$0.8 billion) and computers/electronics (-\$0.4 billion). Strong sectors included non-defense aircraft (+\$2.4 billion), machinery (+\$1.2 billion), and primary metals (+\$0.3 billion).
- When calculating business investment for the GDP accounts, the government uses non-defense capital goods shipments excluding aircraft. That measure rose 1.0% in September and was revised up to show a 1.8% gain in August versus a previously estimated 1.0% increase.
- Unfilled orders rose 1.1% in September and are up 18.0% versus a year ago.

Implications: While new orders for durable goods are down at a 5.5% annual rate in the past three months, the weakness is all due to transportation. In August, civilian aircraft orders fell 40.9%; in September, military aircraft orders fell 37.3%. Meanwhile, the strike-affected auto sector had orders down 10.9% in the last two months. Excluding the volatile transportation sector, orders are up at a 6.9% annual rate in the past three months. The most important part of today's report on business investment showed non-defense capital goods shipments excluding aircraft increased 1% in September on top of an upwardly revised 1.8% in August. This brings the two-month growth of these "core" shipments to the fastest rate in two years. These figures, plus positive data on durable inventories, make us more confident in our long-held but lonely and bullish estimate that the U.S. economy grew at a 4% annual rate in Q3 (to be reported October 31). In other news today, new claims for unemployment insurance declined 8,000 to 331,000 last week, remaining in a range that suggests job growth continues.



Durable Goods <i>All Data Seasonally Adjusted</i>	Sep-07	Aug-07	Jul-07	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.7%	-5.3%	5.9%	-5.5%	-2.0%	-6.6%
Ex Defense	0.7%	-6.2%	4.6%	-5.2%	-1.5%	-3.0%
Ex Transportation	0.3%	-1.8%	3.3%	6.9%	4.9%	0.1%
Transportation Equipment	-6.3%	-12.3%	11.7%	-29.0%	-16.3%	-19.6%
Capital Goods Orders	-1.3%	-10.3%	8.2%	-15.4%	-11.4%	-18.8%
Capital Goods Shipments	-0.3%	1.0%	1.9%	10.7%	7.4%	1.7%
Defense Shipments	-4.6%	-3.1%	9.3%	4.1%	-0.3%	4.3%
Non-Defense, Ex Aircraft	1.0%	1.8%	0.0%	11.9%	7.4%	1.3%
Unfilled Orders for Durable Goods	1.1%	1.1%	2.3%	19.8%	19.3%	18.0%

Source: Bureau of the Census