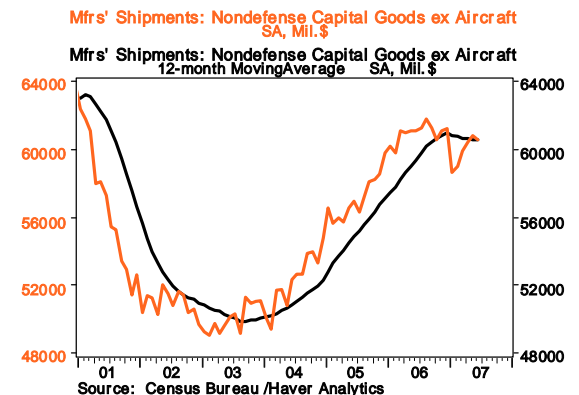
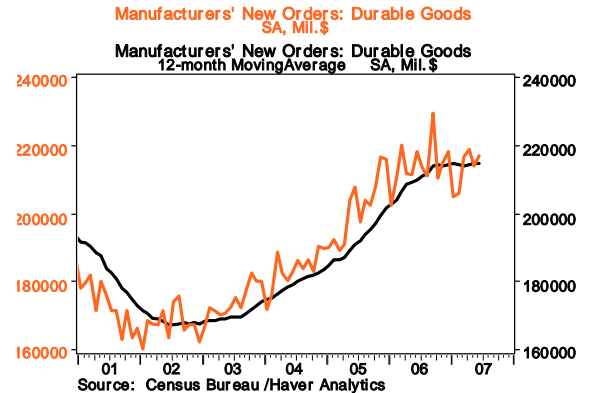


JUNE DURABLE GOODS

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- New orders for durable goods rose 1.4% in June versus a consensus expected 1.9%. New orders excluding transportation declined 0.5% versus a consensus expected gain of 0.2%.
- The strength in new orders was concentrated in civilian aircraft, which by itself accounted for 100% of the increase. However, orders also increased for fabricated metals and machinery. Areas of weakness included primary metals and computers/electronics.
- When calculating business investment for the GDP accounts, the government uses non-defense capital goods shipments excluding aircraft. That measure fell 0.4% in June, but this decline was offset by a 0.6 percentage point upward revision to May.
- Unfilled orders rose 1.5% in June and are up 19.7% versus a year ago. Unfilled orders for non-defense capital goods ex-aircraft increased for the 32nd straight month and are up 16.0% versus a year ago.

Implications: Today's durable goods report shows recent business investment remains healthy. Unlike most analysts we forecast that transportation equipment would be the source of the increase in overall durable goods orders and were not surprised by the slight drop outside of transportation. Note: despite ex-transportation orders falling in June, they are up at a 6.6% annual rate the past three months. Although capital goods shipments excluding defense and aircraft fell 0.4% in June, May data was revised up and the three month moving average of these shipments increased for the third month in a row. In fact, today's data on shipments increased our estimate of real growth in business investment in equipment and software in the second quarter from a 4.9% annual rate to a 5.5% rate. These figures are consistent with our forecast that business investment will contribute about one percentage point to real GDP growth in the second quarter.



Durable Goods <i>All Data Seasonally Adjusted</i>	Jun-07	May-07	Apr-07	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	1.4%	-2.3%	1.0%	0.7%	-1.2%	-0.6%
<i>Ex Defense</i>	1.9%	-2.7%	1.1%	1.4%	-1.0%	1.3%
<i>Ex Transportation</i>	-0.5%	-0.2%	2.3%	6.6%	-1.1%	-1.7%
<i>Primary Metals</i>	-3.6%	-4.7%	7.1%	-6.3%	2.1%	-3.3%
<i>Industrial Machinery</i>	2.6%	-0.7%	-1.7%	0.6%	-8.6%	-1.2%
<i>Computers and Electronic Products</i>	-4.6%	5.0%	1.2%	5.9%	-4.2%	-3.2%
<i>Transportation Equipment</i>	6.1%	-7.0%	-1.7%	-11.3%	-1.6%	2.3%
Capital Goods Orders	2.7%	-5.6%	-0.3%	-12.4%	-1.4%	0.9%
Capital Goods Shipments	-0.5%	0.8%	1.0%	5.1%	-0.4%	0.0%
<i>Defense Shipments</i>	-4.4%	2.1%	0.8%	-6.3%	-4.8%	-1.7%
<i>Non-Defense, Ex Aircraft</i>	-0.4%	0.7%	0.9%	4.5%	-2.0%	-0.8%
Unfilled Orders for Durable Goods	1.5%	0.9%	1.9%	18.4%	15.9%	19.7%

Source: Bureau of the Census