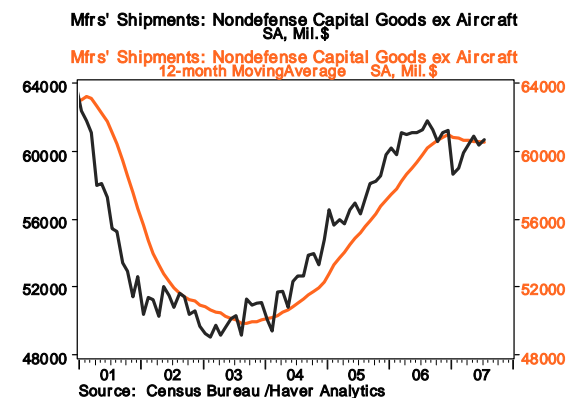
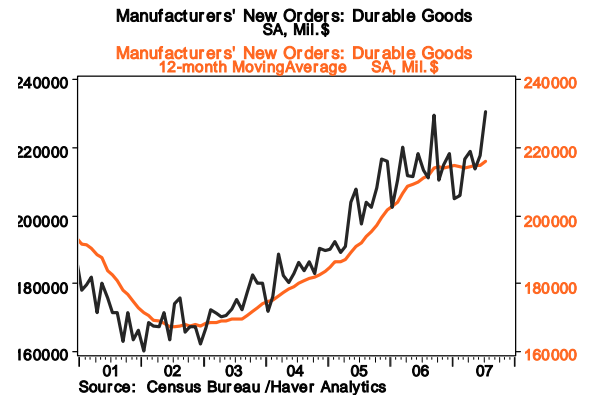


JULY DURABLE GOODS

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- New orders for durable goods rose 5.9% in July versus a consensus expected gain of 1.0%. Excluding transportation, orders rose 3.7% versus a consensus expected gain of 0.6%. Over the past three months, new orders excluding transportation are up 9.1% at an annual rate.
- Transportation equipment orders jumped 10.8% - on the back of strong aircraft and autos orders. Orders also increased for every other major category. The only sub-category that showed any significant decline was electrical equipment.
- When calculating business investment for the GDP accounts, the government uses non-defense capital goods shipments excluding aircraft. That measure rose 0.5% in July, but was revised to show a 0.8% decline in June versus the originally estimated decline of 0.4%. On net, these shipments are up 1.4% at an annual rate versus their second quarter average.
- Unfilled orders rose 2.4% in July and are up 20.9% versus a year ago.

Implications: Today's durable goods report shows recent business investment remains healthy. Excluding transportation, orders are up 9.1% at an annual rate in the past three months, which is significantly faster than the year-over-year growth rate of 1.3%. These data show clearly the re-acceleration of growth from the slowdown in late 2006 and early 2007. We continue to forecast 3% real GDP growth in Q3 and view today's surge in new orders as a sign that economic growth will remain strong in the quarters ahead as manufacturing overcomes weakness in the housing market.



Durable Goods <i>All Data Seasonally Adjusted</i>	Jul-07	Jun-07	May-07	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	5.9%	1.9%	-2.4%	23.2%	26.6%	8.1%
Ex Defense	4.9%	2.3%	-2.8%	18.4%	26.6%	7.9%
Ex Transportation	3.7%	-1.2%	-0.3%	9.1%	11.5%	1.3%
Primary Metals	7.9%	-6.1%	-4.7%	-12.9%	11.0%	-0.5%
Industrial Machinery	5.5%	3.4%	-0.7%	37.8%	27.5%	4.4%
Computers and Electronic Products	7.4%	-4.4%	5.3%	36.8%	27.8%	1.8%
Transportation Equipment	10.8%	9.2%	-7.1%	60.2%	69.1%	25.4%
Capital Goods Orders	8.3%	4.5%	-5.6%	30.2%	54.1%	13.7%
Capital Goods Shipments	2.2%	-0.9%	0.8%	9.0%	8.6%	2.3%
Defense Shipments	9.1%	-4.1%	2.2%	30.8%	13.2%	12.5%
Non-Defense, Ex Aircraft	0.5%	-0.8%	0.7%	1.8%	7.1%	-0.9%
Unfilled Orders for Durable Goods	2.4%	1.6%	0.9%	21.2%	20.5%	20.9%

Source: Bureau of the Census