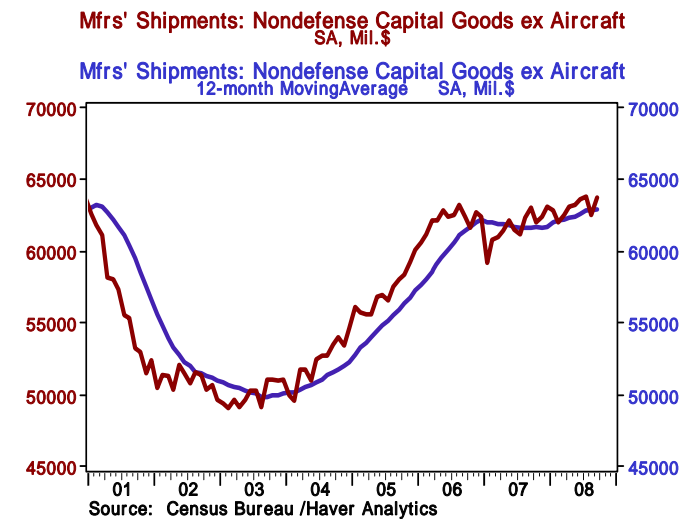
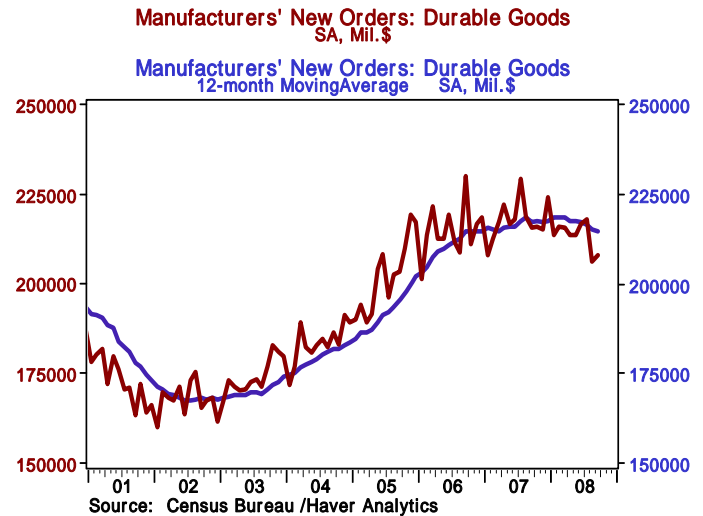


SEPTEMBER DURABLE GOODS

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- New orders for durable goods increased 0.8% in September versus a consensus expected decline of 1.1%. Excluding transportation, orders fell 1.1% versus a consensus expected decline of 1.5%. Orders are down 3.6% versus a year ago, but down only 0.6% excluding transportation.
- The strength in orders in September was concentrated in aircraft and motor vehicles. The weakest component of orders was primary metals.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure increased 2.0% in September, rebounding from a decline of 2.1% in August. These shipments were up at a 0.1% annual rate in Q3 versus the Q2 average.
- Unfilled orders rose 0.4% in August and are up 12.0% versus last year.

Implications: Business investment was stronger than the consensus expected in September, even factoring in downward revisions to August. “Core” shipments (excluding defense and aircraft) remain above the year-ago level. Durable goods inventory data showed weakness, however, suggesting real GDP contracted at about a -0.3% annual rate in Q3. The advance report on GDP, reported tomorrow morning, may show even greater weakness and then get revised upward in the months ahead. The Federal Reserve will make a decision on short-term interest rates early this afternoon and we still expect a 50 basis point cut in the federal funds rate to 1%, equaling the low hit in 2003-04.



Durable Goods <i>All Data Seasonally Adjusted</i>	Sep-08	Aug-08	Jul-08	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.8%	-5.5%	0.7%	-15.3%	-7.1%	-3.6%
<i>Ex Defense</i>	-0.6%	-6.0%	1.8%	-18.2%	-10.9%	-6.6%
<i>Ex Transportation</i>	-1.1%	-4.1%	0.0%	-19.0%	-2.7%	-0.6%
<i>Primary Metals</i>	-4.5%	-12.5%	2.9%	-45.3%	-12.8%	1.6%
<i>Industrial Machinery</i>	0.5%	-6.4%	3.8%	-9.4%	1.7%	3.9%
<i>Computers and Electronic Products</i>	-1.4%	2.0%	-4.5%	-15.0%	-4.6%	-5.6%
<i>Transportation Equipment</i>	6.3%	-9.3%	2.7%	-4.1%	-17.8%	-11.1%
Capital Goods Orders	3.2%	-6.0%	0.4%	-9.9%	-6.2%	-0.9%
Capital Goods Shipments	1.3%	-2.9%	1.1%	-2.2%	4.0%	1.6%
<i>Defense Shipments</i>	-0.2%	-0.5%	0.4%	-1.4%	9.1%	16.6%
<i>Non-Defense, Ex Aircraft</i>	2.0%	-2.1%	0.3%	0.4%	4.0%	1.1%
Unfilled Orders for Durable Goods	0.4%	0.3%	0.8%	5.8%	8.3%	12.0%

Source: Bureau of the Census