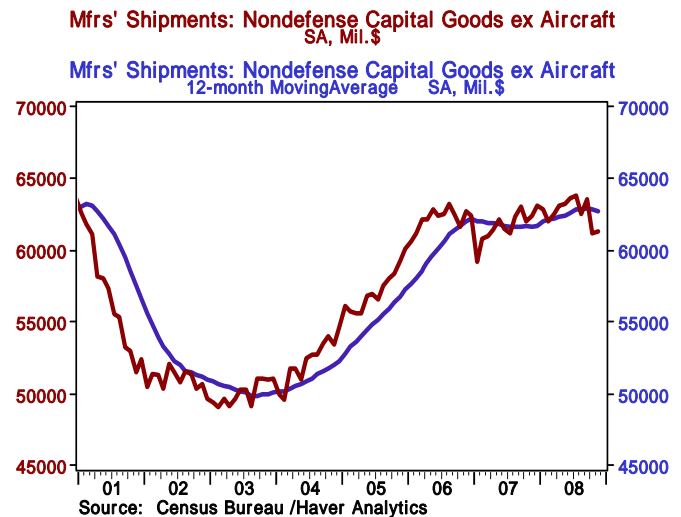
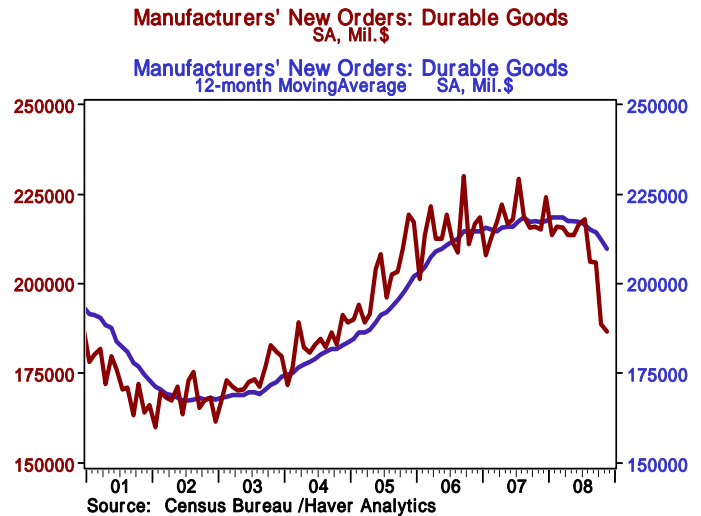


NOVEMBER DURABLE GOODS

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- New orders for durable goods declined 1.0% in November versus a consensus expected decline of 3.0%. Excluding transportation, orders increased 1.2%, well ahead of the consensus expected decline of 3.0%. Orders are down 13.2% versus a year ago and down 6.2% excluding transportation.
- The weakness in orders in November was concentrated in aircraft and parts. Orders for industrial machinery and computers/electronics rebounded from recent declines.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure rose 0.2% in November. If these shipments are unchanged in December, the Q4 average will be down at a 12.4% annual rate versus the Q3 average.
- Unfilled orders fell 0.6% in November, are down at a 5.2% annual rate in the past three months, but are still up 7.9% versus last year.

Implications: November orders for durable goods were better than the consensus expected, suggesting an easing in the intense risk aversion hysteria that gripped the business sector in September/October. “Core” shipments of capital goods (excluding aircraft and defense) increased 0.2% in November. These figures support our forecast that real GDP is shrinking at about a 6% annual rate in Q4 but that this will be, by far, the worst quarter of the recession. In other news this morning, new claims for unemployment insurance increased 30,000 last week to 586,000, the highest level so far this cycle. Continuing claims for benefits declined 17,000 to 4.370 million, the second straight weekly decline.



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-08	Oct-08	Sep-08	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.0%	-8.4%	0.0%	-32.4%	-23.5%	-13.2%
Ex Defense	-0.9%	-6.7%	-1.7%	-31.9%	-23.4%	-15.3%
Ex Transportation	1.2%	-6.8%	-1.9%	-26.8%	-17.3%	-6.2%
Primary Metals	-2.9%	-16.2%	-5.9%	-65.5%	-44.6%	-21.9%
Industrial Machinery	4.1%	-10.6%	0.2%	-24.1%	-13.9%	0.2%
Computers and Electronic Products	5.9%	-4.9%	-2.5%	-6.9%	-6.7%	0.3%
Transportation Equipment	-7.4%	-12.7%	5.5%	-47.1%	-39.3%	-29.8%
Capital Goods Orders	0.2%	-10.9%	1.9%	-31.4%	-26.6%	-12.4%
Capital Goods Shipments	-1.0%	-4.0%	1.2%	-14.3%	-9.6%	-2.9%
Defense Shipments	-3.6%	0.8%	1.6%	-5.0%	-2.2%	11.8%
Non-Defense, Ex Aircraft	0.2%	-3.8%	1.7%	-7.6%	-6.2%	-1.8%
Unfilled Orders for Durable Goods	-0.6%	-0.9%	0.2%	-5.2%	1.3%	7.9%

Source: Bureau of the Census