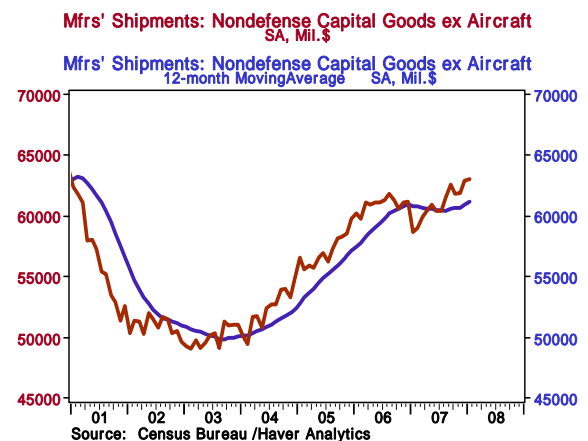
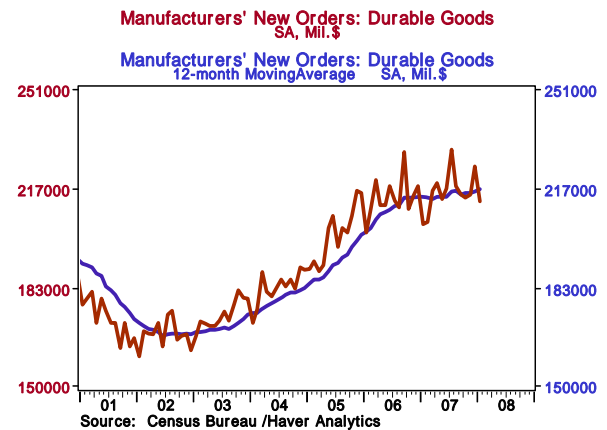


## JANUARY DURABLE GOODS

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- New orders for durable goods fell 5.3% in January versus a consensus expected decline of 4.0%. Excluding transportation, orders fell 1.6%, nearly matching consensus expectations. Orders are up 3.8% versus a year ago, 3.1% excluding transportation.
- The largest contributor to the decline in orders was civilian aircraft (down \$6.5 billion). The next largest declines were in military aircraft (down \$2.0 billion) and fabricated metals (down \$1.1 billion).
- When calculating business investment for the GDP accounts, the government uses non-defense capital goods shipments excluding aircraft. That measure increased 0.1% in January and is up 7.4% versus last year.
- Unfilled orders rose 0.6% in January and are up 18.2% versus a year ago.

**Implications:** Today's report on durable goods was more mixed than the negative headline of declining orders suggests. Business investment in equipment (for the GDP accounts) is measured by *shipments* of capital goods excluding defense and aircraft. These shipments were up in January, are up 7.4% versus a year ago, and are up at a 7.7% annual rate in the past three months. This is consistent with US economic expansion, not contraction. Durable goods data are extremely volatile on a monthly or quarterly basis. Considering the headwinds from housing (which pulled orders into negative territory last year), the manufacturing sector is doing well right now. With the dollar hitting new lows, costs of production rising elsewhere in the world, and US productivity booming, we expect strength in exports to continue to offset weakness in housing.



<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	Jan-08	Dec-07	Nov-07	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	-5.3%	4.4%	0.5%	-2.7%	-14.8%	3.8%
<i>Ex Defense</i>	-4.7%	2.1%	1.7%	-4.2%	-14.6%	3.6%
<i>Ex Transportation</i>	-1.6%	2.0%	-0.5%	-0.7%	-3.8%	3.1%
<i>Primary Metals</i>	0.0%	-0.4%	1.0%	2.4%	3.7%	5.7%
<i>Industrial Machinery</i>	-1.5%	7.8%	-1.4%	20.1%	3.2%	14.6%
<i>Computers and Electronic Products</i>	-2.7%	3.8%	-0.2%	3.1%	-6.8%	7.2%
<i>Transportation Equipment</i>	-13.4%	10.2%	2.8%	-7.4%	-35.0%	5.6%
<b>Capital Goods Orders</b>	-9.6%	11.3%	2.2%	12.2%	-15.8%	13.6%
<b>Capital Goods Shipments</b>	2.9%	0.9%	0.0%	16.2%	9.7%	8.8%
<i>Defense Shipments</i>	11.2%	-3.3%	3.8%	55.6%	7.6%	10.6%
<i>Non-Defense, Ex Aircraft</i>	0.1%	1.7%	0.1%	7.7%	9.0%	7.4%
<b>Unfilled Orders for Durable Goods</b>	0.6%	2.5%	1.2%	18.5%	16.2%	18.2%

Source: Bureau of the Census