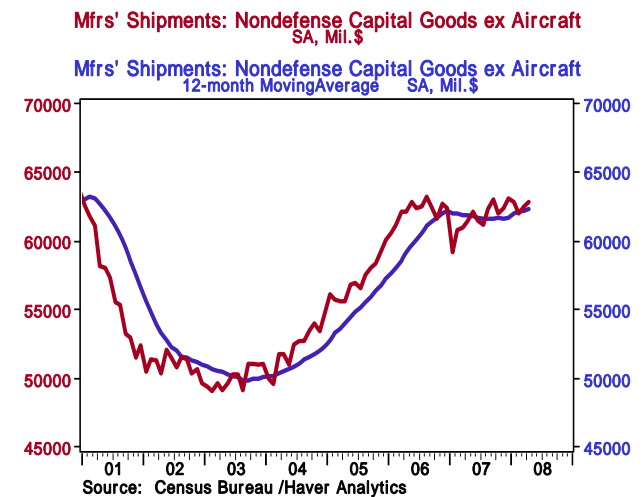
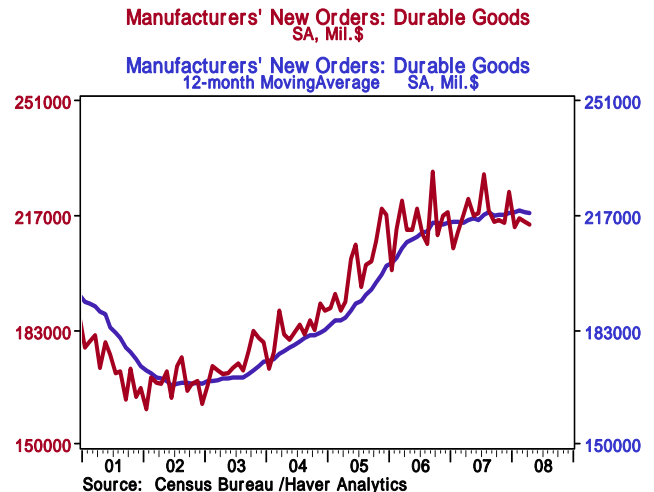


APRIL DURABLE GOODS

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- New orders for durable goods declined 0.5% in April versus a consensus expected drop of 1.5%. Excluding transportation, orders increased 2.5%, easily beating the consensus expected decline of 0.5%. Orders are down 3.4% versus a year ago but up 3.0% excluding transportation.
- A large decline in civilian aircraft accounted for all the drop in total orders. Motor vehicle orders were also weak, but affected by a strike at a GM parts supplier that has since been resolved. Strong sectors included electrical equipment/appliances (rebounding from last month's sharp decline), industrial machinery, and primary metals.
- When calculating business investment for the GDP accounts, the government uses shipments of non-defense capital goods excluding aircraft. That measure increased 0.5% in April and is now up at a 2.3% annual rate versus the Q1 average.
- Unfilled orders rose 1.0% in April and are up 16.0% versus last year.

Implications: The business sector of the US economy is not in recession and is not behaving like the rest of the economy is in recession either. Although overall orders fell slightly in April, all of the decline was due to civilian aircraft, which is extremely volatile from month to month. Motor vehicle orders were also weak, but that was in large part due to a strike at a GM parts supplier that has now been resolved. Excluding the transportation sector, orders were up 2.5%, the fastest growth in nine months. Orders for industrial machinery are up 14.5% versus a year ago, beating almost all gains in the late 1990s. Today's data confirm our estimate of 1.2% annualized real GDP growth in the first quarter (revised GDP data come out tomorrow morning) and supports our forecast of a 1.5% growth rate in Q2.



Durable Goods <i>All Data Seasonally Adjusted</i>	Apr-08	Mar-08	Feb-08	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-0.5%	-0.3%	1.1%	1.4%	-1.3%	-3.4%
<i>Ex Defense</i>	-0.3%	0.0%	0.3%	0.1%	-2.1%	-4.7%
<i>Ex Transportation</i>	2.5%	1.7%	-1.2%	12.3%	6.5%	3.0%
<i>Primary Metals</i>	2.8%	1.7%	1.4%	26.3%	16.6%	5.5%
<i>Industrial Machinery</i>	4.2%	8.5%	-8.3%	15.5%	20.5%	14.5%
<i>Computers and Electronic Products</i>	-1.5%	1.0%	1.5%	4.0%	0.3%	2.4%
<i>Transportation Equipment</i>	-8.0%	-5.1%	7.2%	-23.0%	-19.4%	-17.7%
Capital Goods Orders	-0.8%	-0.2%	2.4%	5.7%	5.1%	-2.8%
Capital Goods Shipments	1.7%	0.6%	-3.4%	-4.5%	4.8%	4.2%
<i>Defense Shipments</i>	4.5%	2.7%	-1.6%	24.4%	38.1%	18.9%
<i>Non-Defense, Ex Aircraft</i>	0.5%	0.8%	-1.3%	-0.2%	2.5%	2.3%
Unfilled Orders for Durable Goods	1.0%	1.3%	1.2%	14.4%	15.6%	16.0%

Source: Bureau of the Census