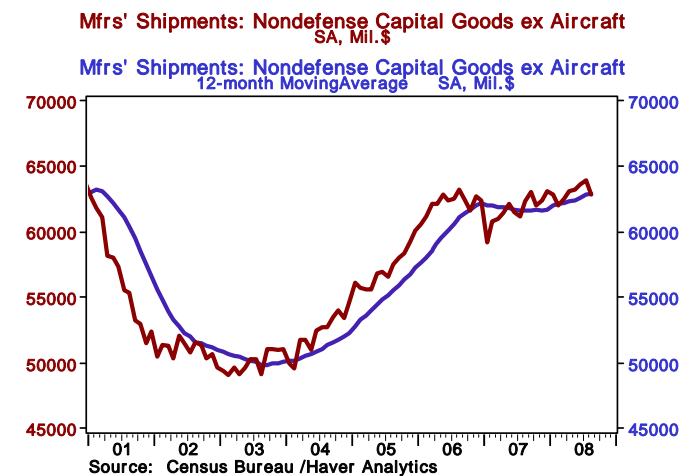
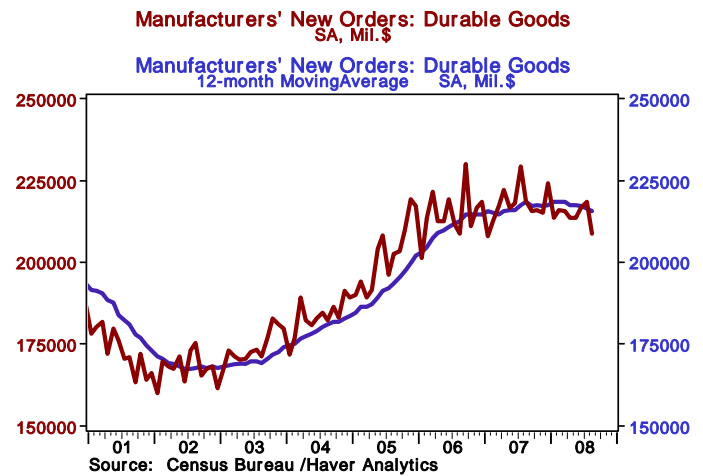


AUGUST DURABLE GOODS

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- New orders for durable goods were down 4.5% in August. The consensus had expected a decline of 1.9%. Excluding transportation, orders fell 3.0% versus a consensus expected decline of 0.5%. Orders are down 4.7% versus a year ago, but up 1.4% excluding transportation.
- Weakness in orders in August was concentrated in aircraft, motor vehicles/parts, primary metals, and machinery. The strongest sector was in computers/electronics.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure declined 1.7% in August, the first decline in six months, and the gain in July was revised down to 0.4% from an originally reported 1.6%. If these shipments are unchanged in September, they will be down at a 1.0% annual rate in Q3 versus the Q2 average.
- Unfilled orders rose 0.4% in August and are up 12.9% versus last year.



Implications: Taking today's report at face value, it appears business investment weakened sharply in August, with shipments of "core" capital goods (ex-defense, ex-aircraft) declining for the first time in six months. However, given the historical volatility in this series and the large revisions to which it is prone, it is important not to read too much into one month's data. Core shipments are still above the year-ago level. In other news this morning, new claims for jobless benefits increased 32,000 last week to 493,000, the highest since 2001. However, the Labor Department says Hurricanes Ike and Gustav added about 50,000 claims in Texas and Louisiana. This suggests the underlying trend in claims is not signaling an accelerated deterioration in economic activity. Tomorrow we get the "final" figure on real GDP growth rate in the second quarter, which we expect to show a slight upward revision to 3.4%.

Durable Goods <i>All Data Seasonally Adjusted</i>	Aug-08	Jul-08	Jun-08	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-4.5%	0.8%	1.4%	-9.3%	-6.9%	-4.7%
<i>Ex Defense</i>	-5.0%	1.9%	0.7%	-9.4%	-7.4%	-4.5%
<i>Ex Transportation</i>	-3.0%	0.1%	2.6%	-1.5%	5.8%	1.4%
<i>Primary Metals</i>	-9.3%	2.9%	7.8%	2.5%	7.8%	12.0%
<i>Industrial Machinery</i>	-6.2%	3.7%	2.6%	-0.9%	18.9%	5.2%
<i>Computers and Electronic Products</i>	1.9%	-4.5%	1.0%	-6.7%	-0.2%	-2.9%
<i>Transportation Equipment</i>	-8.9%	2.8%	-1.8%	-28.6%	-33.8%	-19.3%
Capital Goods Orders	-5.7%	0.4%	-0.2%	-20.3%	-11.9%	-2.5%
Capital Goods Shipments	-2.5%	1.2%	0.7%	-2.6%	3.7%	1.0%
<i>Defense Shipments</i>	-0.2%	0.4%	0.4%	2.1%	16.4%	14.2%
<i>Non-Defense, Ex Aircraft</i>	-1.7%	0.4%	0.6%	-2.7%	2.6%	0.9%
Unfilled Orders for Durable Goods	0.4%	0.8%	1.0%	8.6%	10.5%	12.9%

Source: Bureau of the Census

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