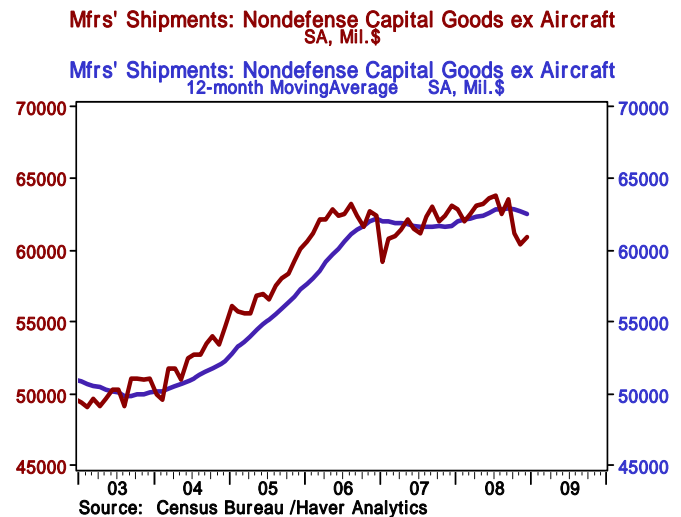
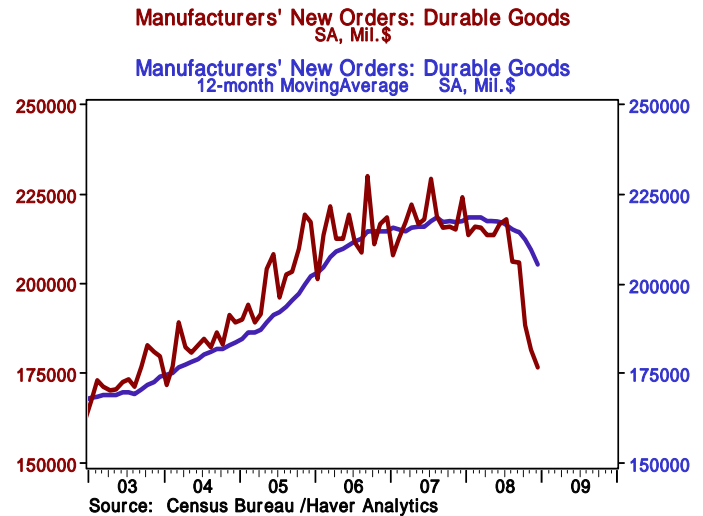


DECEMBER DURABLE GOODS

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- New orders for durable goods declined 2.6% in December versus a consensus expected decline of 2.0%. Excluding transportation, orders fell 3.6% versus a consensus expected decline of 2.7%. Orders are down 21.1% versus a year ago and down 14.0% excluding transportation.
- The weakness in orders in December was widespread, with the largest declines in civilian aircraft, computers/electronics, motor vehicles/parts, and machinery. Orders for defense goods and electrical equipment/appliances increased in December.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure rose 0.9% in December, but the decline in November was revised to -1.4% from -0.2%. The Q4 average is down at a 14.8% annual rate versus the Q3 average.

Implications: Orders for durable goods continue their descent, falling 2.6% in December with downward revisions to November. Declining orders were widespread in December, with the exception of the defense sector and electrical equipment/appliances. One hopeful sign was that “core” shipments of capital goods (excluding aircraft and defense) increased 0.9% in December. However the gain previously reported for November was revised away and orders for these goods are now running substantially below the pace of shipments, suggesting more weakness ahead. Incorporating today’s data into our real GDP estimate for the fourth quarter (reported tomorrow) keeps us at -5.2%. In other news this morning, new claims for unemployment insurance increased 3,000 last week to 588,000. Continuing claims for jobless benefits increased 159,000 to 4.776 million, the high so far for the recession.



Durable Goods <i>All Data Seasonally Adjusted</i>	Dec-08	Nov-08	Oct-08	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-2.6%	-3.7%	-8.5%	-45.8%	-33.4%	-21.1%
<i>Ex Defense</i>	-4.9%	-3.9%	-6.8%	-47.4%	-35.9%	-23.2%
<i>Ex Transportation</i>	-3.6%	-1.7%	-6.9%	-39.3%	-31.1%	-14.0%
<i>Primary Metals</i>	-6.9%	-5.1%	-16.3%	-70.0%	-60.7%	-28.7%
<i>Industrial Machinery</i>	-5.0%	-1.9%	-11.2%	-53.2%	-35.5%	-18.3%
<i>Computers and Electronic Products</i>	-7.2%	4.6%	-4.9%	-27.5%	-23.2%	-10.0%
<i>Transportation Equipment</i>	0.6%	-9.8%	-12.8%	-60.9%	-39.7%	-37.2%
Capital Goods Orders	-1.1%	-3.2%	-10.9%	-47.0%	-32.7%	-23.8%
Capital Goods Shipments	2.2%	-2.3%	-3.9%	-14.9%	-9.0%	-2.5%
<i>Defense Shipments</i>	-5.9%	-3.0%	1.0%	-27.8%	-12.5%	8.7%
<i>Non-Defense, Ex Aircraft</i>	0.9%	-1.4%	-3.7%	-15.9%	-8.6%	-3.5%
Unfilled Orders for Durable Goods	-1.3%	-0.9%	-0.9%	-11.6%	-3.6%	3.9%

Source: Bureau of the Census

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