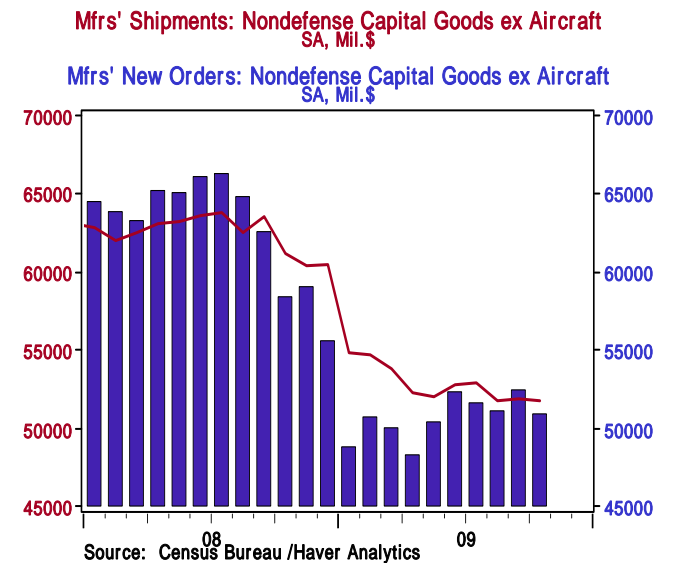
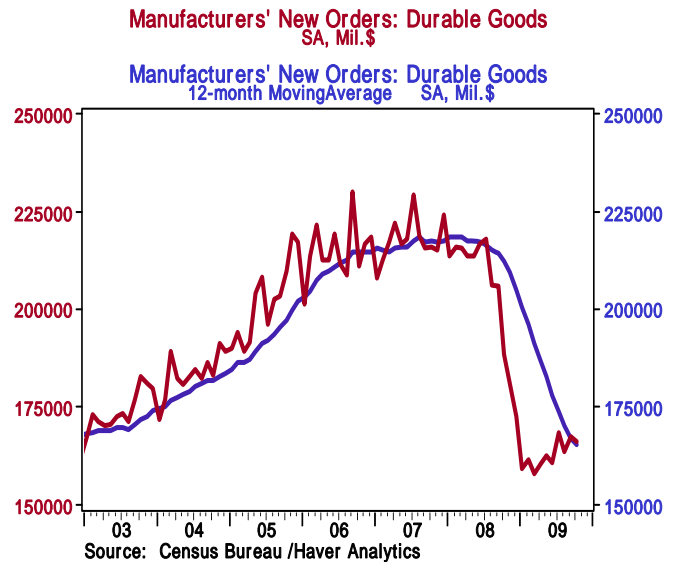


OCTOBER DURABLE GOODS

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- New orders for durable goods declined 0.6% in October, falling short of the consensus expected gain of 0.5%. Excluding transportation, orders were down 1.3% versus a consensus expected gain of 0.7%.
- The largest declines in orders were for industrial machinery, which gave back most of last month's unusual surge, and computers/electronics. The largest increases in orders were for civilian aircraft/parts and primary metals.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure fell 0.2% in October, but was up 0.3% including the revision to last month. If these shipments are unchanged in November/December, they will be down at a 2.8% annual rate in Q4 versus the Q3 average.

Implications: Orders for durable goods fell short of consensus expectations in October, both overall and excluding the volatile transportation sector. However, the underlying trend in orders remains gradually upward. As the top chart to the right shows, orders have generally been rising since early this year and are up at about a 5% annual rate. What we can't help noticing is that over the past few months, new orders have not gone up nearly as much as would be expected given the strength in the new orders component of the ISM Manufacturing index, which has averaged 61.4 over the same time frame (an index level of 50+ signals expansion). This difference suggests the potential of some upward revisions next year. In other news this morning, initial claims for unemployment insurance fell 35,000 last week to 466,000. The four-week moving average is now 496,500, which is below where it was a year ago. Meanwhile, continuing claims for regular state benefits fell 190,000 to 5.42 million. Yesterday, the Richmond Federal Reserve Bank reported that its manufacturing index for mid-Atlantic states came in at +1 in November versus +7 in October. Although the index declined, it was the seventh straight month the report signaled that factory activity was expanding, rather than contracting. Also reported yesterday was the Conference Board's measure of consumer confidence, which increased to 49.5 in November, beating the consensus expected 47.3.



Durable Goods <i>All Data Seasonally Adjusted</i>	Oct-09	Sep-09	Aug-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-0.6%	2.0%	-2.7%	-5.4%	7.2%	-11.9%
Ex Defense	0.4%	1.8%	-2.7%	-2.1%	11.4%	-12.9%
Ex Transportation	-1.3%	1.8%	-0.5%	-0.2%	8.8%	-11.3%
Primary Metals	3.6%	2.6%	1.2%	34.0%	55.1%	-13.7%
Industrial Machinery	-8.0%	8.8%	1.3%	5.6%	10.2%	-19.8%
Computers and Electronic Products	-2.1%	-0.2%	-1.6%	-14.7%	3.1%	-4.2%
Transportation Equipment	1.5%	2.5%	-8.9%	-19.3%	2.5%	-13.6%
Capital Goods Orders	-2.0%	3.6%	-6.6%	-19.2%	11.0%	-11.5%
Capital Goods Shipments	-2.0%	3.3%	-1.8%	-2.2%	0.5%	-9.3%
Defense Shipments	-3.8%	5.9%	2.8%	20.6%	13.2%	17.8%
Non-Defense, Ex Aircraft	-0.2%	0.3%	-2.2%	-8.0%	-1.6%	-15.3%
Unfilled Orders for Durable Goods	-0.4%	-0.4%	-0.4%	-5.1%	-4.9%	-11.0%

Source: Bureau of the Census