

NOVEMBER DURABLE GOODS

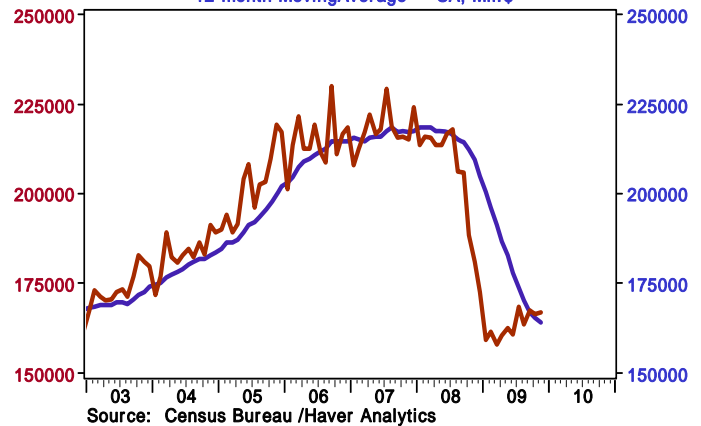
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- New orders for durable goods increased 0.2% in November, close to the consensus expected 0.5%. Excluding transportation, orders increased 2.0%, beating the consensus expected 1.1%. In the past six months, orders are up at a 5.2% annual rate and up at a 13.2% rate excluding transportation.
- With the exception of the volatile transportation sector, all major categories of orders increased in November, led by computers/electronics and industrial machinery. The weak part of the report was civilian aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 0.8% in November and was revised up substantially for October. If these shipments are unchanged in December, the Q4 average will be up at a 6.1% annual rate versus the Q3 average.
- Unfilled orders fell 0.7% in November and are down at a 5.9% annual rate in the past six months.

Implications: Today’s economic data were an early Christmas present for the US economy. Shipments of “core” capital goods (which exclude defense and aircraft) were up in November for the third straight month. Notably, core shipments in October were revised from a 0.3% decline to a large 1.5% increase. Meanwhile, orders for core capital goods hit the highest level since last year. These figures are consistent with our view that real GDP is increasing at about a 5% annual rate in Q4. In other news this morning, new claims for unemployment insurance fell 28,000 last week to 452,000, the lowest level since before the collapse of Lehman Brothers in September 2008. The four-week average for claims fell again, to 465,000. Continuing claims for regular state benefits fell 127,000 to 5.08 million. Payroll gains should start by January and revisions to government data could eventually show that payroll gains have already started.

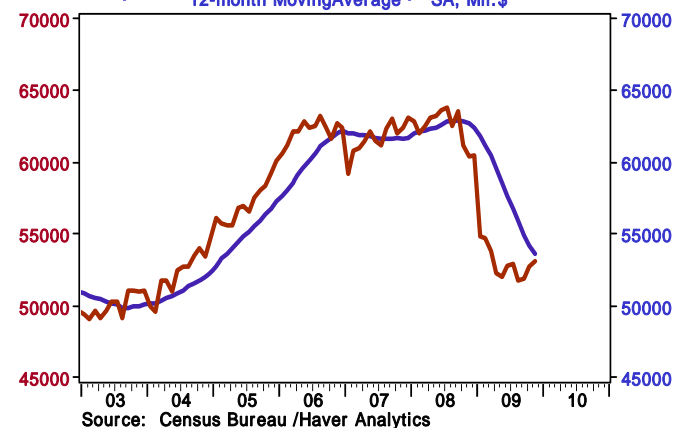
Manufacturers' New Orders: Durable Goods

12-month Moving Average SA, Mil. \$



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft

12-month Moving Average SA, Mil. \$



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-09	Oct-09	Sep-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.2%	-0.6%	2.2%	7.3%	5.2%	-7.8%
<i>Ex Defense</i>	0.0%	0.6%	2.0%	10.9%	10.3%	-8.8%
<i>Ex Transportation</i>	2.0%	-0.7%	2.1%	14.1%	13.2%	-6.9%
<i>Primary Metals</i>	1.4%	4.0%	2.8%	37.7%	61.5%	-7.3%
<i>Industrial Machinery</i>	3.5%	-7.0%	8.5%	18.8%	4.4%	-14.0%
<i>Computers and Electronic Products</i>	3.7%	-1.9%	0.7%	9.8%	7.9%	-3.4%
<i>Transportation Equipment</i>	-5.5%	-0.2%	2.7%	-12.2%	-16.2%	-10.9%
Capital Goods Orders	-0.5%	-2.5%	3.8%	2.8%	-7.5%	-8.8%
Capital Goods Shipments	0.0%	-0.7%	3.2%	10.5%	4.7%	-6.2%
<i>Defense Shipments</i>	-1.4%	-3.4%	5.6%	2.4%	9.4%	18.9%
<i>Non-Defense, Ex Aircraft</i>	0.8%	1.5%	0.3%	10.9%	4.2%	-12.1%
Unfilled Orders for Durable Goods	-0.7%	-0.6%	-0.4%	-6.4%	-5.9%	-10.9%

Source: Bureau of the Census