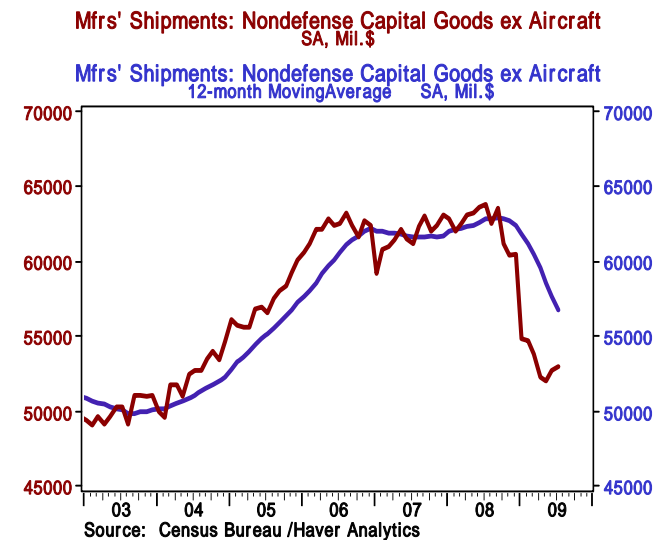
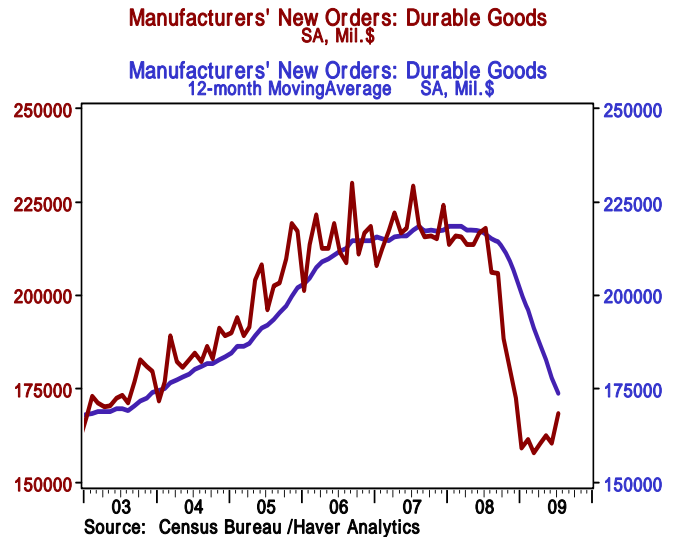


JULY DURABLE GOODS

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- New orders for durable goods increased 4.9% in July, beating the consensus expected gain of 3.0%. Excluding transportation, orders increased 0.8%, almost exactly matching consensus expectations.
- Orders increased for almost every major category of durable goods. The largest increase was for civilian aircraft and parts. The lone decline was for industrial machinery, which took a breather after three straight monthly increases and is still up at a 20.0% annual rate in the past three months.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure increased 0.5% in July and was revised up to a 1.3% gain in June. Even if these shipments are unchanged in August/September, the Q3 average will be up at a 5.0% annual rate versus Q2.

Implications: Orders for durable goods were up a substantial 4.9% in July and the gains were widespread. These figures strongly support the case for a V-shaped recovery, not a tepid recovery like in the early 1990s and late 2001-02. Although the increase in orders excluding the transportation sector was in-line with consensus expectations, they were revised up about a full percentage point for June. In the past three months, total orders are up at a 21.2% annual rate while orders for capital goods are up at a 59% rate. This is not just due to the volatile defense and aircraft sectors. Orders for capital goods excluding defense and aircraft are up at a 35% rate in the past three months. The gains in orders are starting to translate into increases in shipments, which is what matters for GDP. Shipments of “core” capital goods (excluding defense and aircraft) are up two months in a row and up at a 5.7% annual rate in the last three months. Expect an acceleration of these gains later this year. In other news yesterday, the Richmond Fed index, a measure of manufacturing in the mid-Atlantic region, was unchanged at +14 in August, the fourth consecutive month in positive territory. Meanwhile, consumer confidence rebounded sharply in August, with the Conference Board’s measure up 6.7 points to 54.1. As recently as February, this gauge was at an all-time low of 25.3.



Durable Goods <i>All Data Seasonally Adjusted</i>	Jul-09	Jun-09	May-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	4.9%	-1.3%	1.3%	21.2%	11.9%	-22.8%
Ex Defense	4.3%	0.7%	0.9%	26.3%	7.2%	-24.7%
Ex Transportation	0.8%	2.5%	0.8%	17.7%	5.1%	-22.5%
Primary Metals	2.6%	12.2%	-0.2%	74.8%	4.4%	-45.1%
Industrial Machinery	-6.6%	4.5%	7.2%	20.0%	7.0%	-33.6%
Computers and Electronic Products	1.6%	1.2%	2.4%	23.4%	22.6%	-6.0%
Transportation Equipment	18.4%	-12.0%	2.9%	32.0%	35.7%	-23.8%
Capital Goods Orders	9.5%	-5.7%	8.8%	59.0%	44.2%	-19.5%
Capital Goods Shipments	0.1%	1.6%	-0.8%	3.7%	-5.5%	-13.8%
Defense Shipments	-3.6%	4.9%	0.4%	6.2%	44.0%	14.7%
Non-Defense, Ex Aircraft	0.5%	1.3%	-0.4%	5.7%	-6.6%	-17.0%
Unfilled Orders for Durable Goods	-0.1%	-0.8%	-0.3%	-4.6%	-10.8%	-10.2%

Source: Bureau of the Census