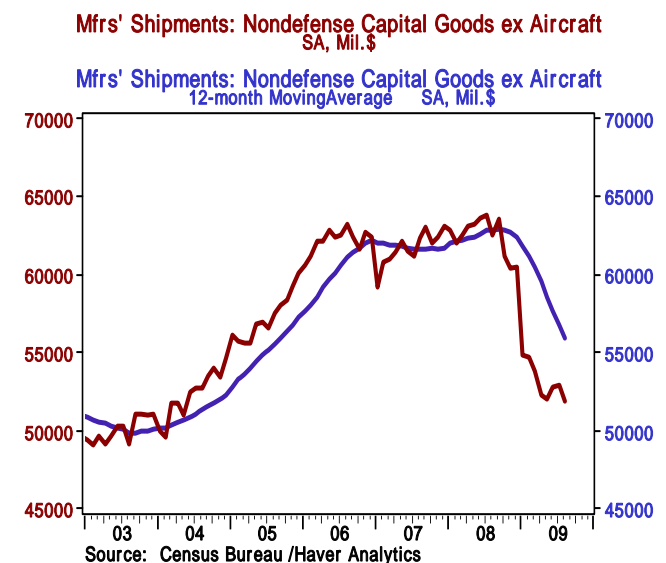
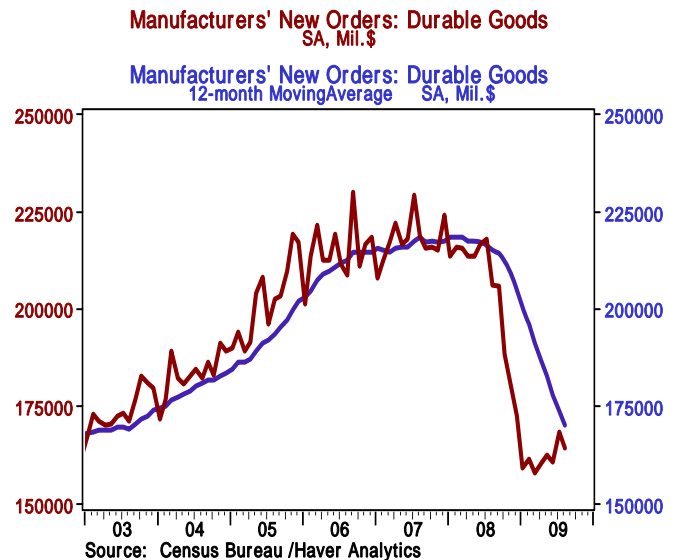


AUGUST DURABLE GOODS

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- New orders for durable goods declined 2.4% in August versus a consensus expected gain of 0.4%. Excluding transportation, orders were unchanged versus a consensus expected increase of 1.0%.
- The entire decline in orders in August was due to aircraft, which is the most volatile portion of durable goods. Other categories of orders were mixed. Orders for primary metals, fabricated metals, and machinery all increased while orders fell for computers/electronics and electrical equipment/appliances.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure fell 1.9% in August and the gain in July was revised downward. If these shipments are unchanged in September, the Q3 average will be down at a 1.0% annual rate versus Q2.

Implications: Orders for durable goods were weaker than the consensus expected in August, but the weakness was concentrated in aircraft orders, which fell 30% and are typically the most volatile portion of the report. For example, just last month, aircraft orders increased 25%. Given this volatility, the decline in overall orders is not nearly as concerning as if it had been mostly due to other, less volatile, sectors. Orders are still up at a 4.4% annual rate in the past three months and up at a 14.8% rate excluding transportation. Somewhat more concerning was the 1.9% decline in August of shipments of “core” capital goods (excluding defense and aircraft). However, the underlying trend shows substantially slower declines than in the recession. Core shipments are down at only a 0.8% annual rate in the past three months. In the three months before that, these shipments were down at an 18% annual rate. Going three months further back, these shipments were plummeting at a 33% rate. Despite today’s figures, we still expect business investment in equipment and software to show a gain in Q3, because data on international trade show imports of capital goods are now rising faster than exports of capital goods. In turn, this signals a reviving risk appetite in the US business sector.



Durable Goods <i>All Data Seasonally Adjusted</i>	Aug-09	Jul-09	Jun-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-2.4%	4.8%	-1.1%	4.4%	3.3%	-20.2%
<i>Ex Defense</i>	-2.4%	4.2%	0.8%	10.9%	2.5%	-21.8%
<i>Ex Transportation</i>	0.0%	0.9%	2.6%	14.8%	2.6%	-18.9%
<i>Primary Metals</i>	1.9%	3.2%	12.2%	93.9%	15.0%	-35.7%
<i>Industrial Machinery</i>	0.7%	-7.9%	4.6%	-11.2%	-6.5%	-29.3%
<i>Computers and Electronic Products</i>	-0.7%	1.7%	1.5%	10.4%	5.8%	-8.1%
<i>Transportation Equipment</i>	-9.3%	17.7%	-11.9%	-21.7%	5.6%	-24.0%
Capital Goods Orders	-5.9%	8.2%	-5.6%	-14.3%	6.5%	-20.2%
<i>Capital Goods Shipments</i>	-1.6%	-0.2%	1.8%	-0.1%	-7.5%	-12.7%
<i>Defense Shipments</i>	2.9%	-4.0%	5.3%	17.2%	10.0%	18.7%
<i>Non-Defense, Ex Aircraft</i>	-1.9%	0.3%	1.4%	-0.8%	-9.8%	-16.9%
Unfilled Orders for Durable Goods	-0.4%	-0.1%	-0.8%	-5.0%	-8.6%	-10.8%

Source: Bureau of the Census