

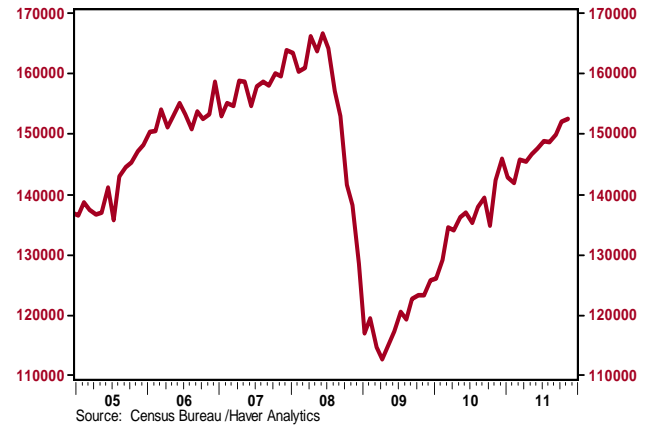
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## November Durable Goods

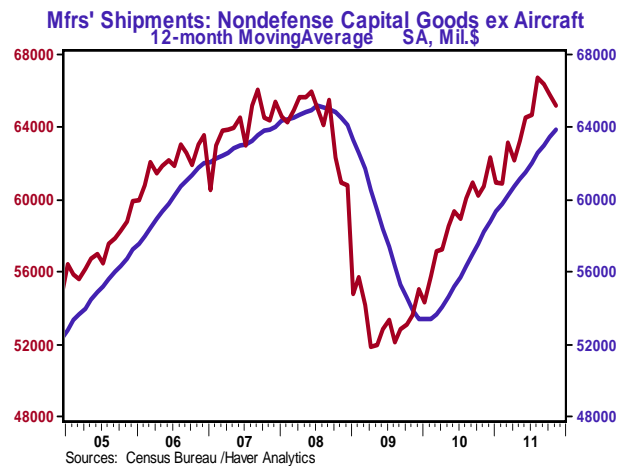
- New orders for durable goods increased 3.8% in November, beating the consensus expected gain of 2.2%. Orders excluding transportation rose 0.3%, very close to consensus expectations. Overall new orders are up 12.1% from a year ago, while orders excluding transportation are up 7.2%.
- The gain in overall orders was primarily due to a surge in civilian aircraft. Primary metals were also strong, while computers/electronics were weak (most likely due to flooding in Thailand).
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 1.0% in November (-1.7% including downward revisions to October). If these shipments are unchanged in December, they will have dropped at a 3% annual rate in Q4 versus the Q3 average.
- Unfilled orders increased 1.3% in November and are up 7.9% from last year.

**Implications:** New orders for durable goods jumped higher in November, beating expectations. And just like the last few months, the extremely volatile transportation sector fueled the change, with massive orders at Boeing boosting aircraft 55% for the month. The underlying trend is better represented by activity outside the transportation sector and the news was good there, too. Orders ex-transportation were up 0.3%, despite flooding in Thailand that pushed down computers and electronics. Orders ex-transportation appear to be accelerating, up 7.2% from a year ago, but up at an 8.3% annual rate in the past six months and an 11.3% annual rate in the past three months. The weak spot in today's report was shipments. Shipments of "core" capital goods, which exclude defense and aircraft, were down for 1% in November, the third monthly drop in a row. However, they are still up 7.4% over the past year. Some of the surge in orders earlier this year may have been related to tax rules that require a firm to put new equipment in place by year end if they want to fully expense the cost. As a result, orders near year end may be dropping because firms might not be able to take possession quickly enough. Either way, this lull will be temporary. Unfilled orders for core capital goods hit another all-time record high in November and are up 14% versus a year ago. Meanwhile, corporate profits and cash on the balance sheets of non-financial companies are both at record highs. Business investment is poised to march higher at a strong pace over the next few years.

**Manufacturers' New Orders: Durable Goods Excl Transportation**  
SA, Mil.\$



**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
SA, Mil.\$



<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>Nov-11</b>	<b>Oct-11</b>	<b>Sep-11</b>	<b>3-mo % ch.</b> <b>annualized</b>	<b>6-mo % ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>New Orders for Durable Goods</b>	<b>3.8%</b>	0.0%	-1.4%	9.8%	11.3%	12.1%
<i>Ex Defense</i>	<b>3.7%</b>	1.1%	-1.5%	13.4%	15.0%	14.2%
<i>Ex Transportation</i>	<b>0.3%</b>	1.5%	0.8%	11.3%	8.3%	7.2%
<i>Primary Metals</i>	<b>5.2%</b>	5.3%	1.9%	62.5%	47.8%	24.0%
<i>Industrial Machinery</i>	<b>0.9%</b>	1.1%	-1.9%	0.3%	-2.6%	12.2%
<i>Computers and Electronic Products</i>	<b>-4.4%</b>	1.3%	2.2%	-4.0%	-4.6%	-5.8%
<i>Transportation Equipment</i>	<b>14.7%</b>	-4.5%	-7.5%	5.7%	20.4%	28.3%
<b>Capital Goods Orders</b>	<b>7.7%</b>	-5.3%	-2.8%	-3.5%	8.9%	16.1%
<b>Capital Goods Shipments</b>	<b>-2.1%</b>	-0.4%	-0.4%	-11.3%	4.9%	5.6%
<i>Defense Shipments</i>	<b>-1.1%</b>	-8.2%	0.4%	-30.9%	-23.6%	-18.2%
<i>Non-Defense, Ex Aircraft</i>	<b>-1.0%</b>	-0.8%	-0.5%	-8.7%	6.2%	7.4%
<b>Unfilled Orders for Durable Goods</b>	<b>1.3%</b>	0.3%	0.6%	9.1%	8.9%	7.9%

Source: Bureau of the Census