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## June Durable Goods

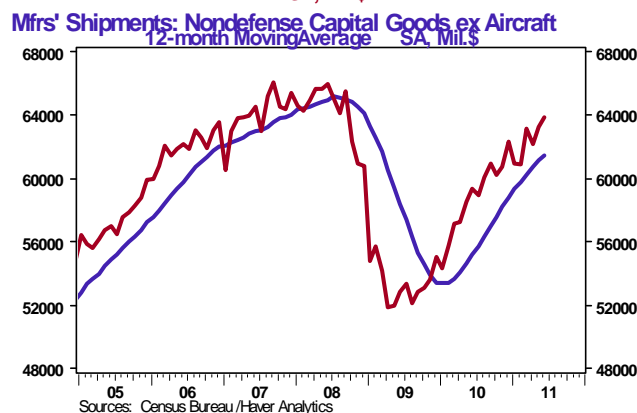
- New orders for durable goods declined 2.1% in June. The consensus expected a gain of 0.3%. Orders excluding transportation rose 0.1% in June. The consensus expected 0.5%. From a year ago, overall new orders are up 7.6%, while orders excluding transportation are up 7.1%
- The overall fall in orders was led by civilian and defense aircraft followed by machinery. All other major categories of orders increased.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 1.0% in June and is up at a 9.7% annual rate in Q2 versus the Q1 average.
- Unfilled orders rose 0.2% in June and are up 6.5% from last year.

**Implications:** The headline 2.1% drop in new orders for durable goods looks dismal, but don't let it fool you. Most of the fall in June was due to aircraft, which are very volatile from month to month. Excluding the transportation sector, orders were up 0.1% in June and the gains were widespread, with almost every major category of orders increasing. In other words, the economy continues to grow and is moving forward out of the soft patch. Shipments of "core" capital goods (which exclude aircraft and defense, and which the government uses to calculate GDP) rose 1.0% in June. These shipments are up 7.6% versus a year ago. Given record corporate profits and balance sheet cash, relatively low borrowing rates in the corporate sector, a recent rise in commercial and industrial lending, plus full expensing for tax purposes for 2011, we believe business investment will increase substantially over the next couple of years.

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



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



Durable Goods <i>All Data Seasonally Adjusted</i>	Jun-11	May-11	Apr-11	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
<b>New Orders for Durable Goods</b>	<b>-2.1%</b>	1.9%	-2.5%	-10.4%	9.6%	7.6%
<b>Ex Defense</b>	<b>-1.8%</b>	1.5%	-2.7%	-11.3%	10.7%	8.4%
<b>Ex Transportation</b>	<b>0.1%</b>	0.7%	-0.1%	2.6%	0.8%	7.1%
<b>Primary Metals</b>	<b>1.0%</b>	0.7%	1.5%	13.4%	14.5%	32.3%
<b>Industrial Machinery</b>	<b>-2.3%</b>	0.8%	0.9%	-2.1%	-6.2%	4.0%
<b>Computers and Electronic Products</b>	<b>0.2%</b>	0.3%	2.0%	10.4%	-12.8%	-1.1%
<b>Transportation Equipment</b>	<b>-8.5%</b>	5.8%	-9.3%	-40.5%	47.7%	9.5%
<b>Capital Goods Orders</b>	<b>-4.1%</b>	5.5%	-5.1%	-14.9%	24.6%	5.7%
<b>Capital Goods Shipments</b>	<b>0.8%</b>	1.0%	-1.9%	-0.6%	0.5%	4.3%
<b>Defense Shipments</b>	<b>-1.6%</b>	-1.0%	-6.0%	-29.8%	-19.7%	-16.3%
<b>Non-Defense, Ex Aircraft</b>	<b>1.0%</b>	1.7%	-1.5%	4.6%	5.1%	7.6%
<b>Unfilled Orders for Durable Goods</b>	<b>0.2%</b>	0.9%	0.6%	7.0%	7.6%	6.5%

Source: Bureau of the Census