

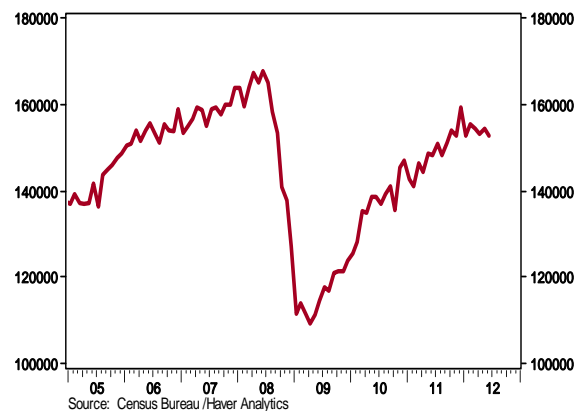
## June Durable Goods

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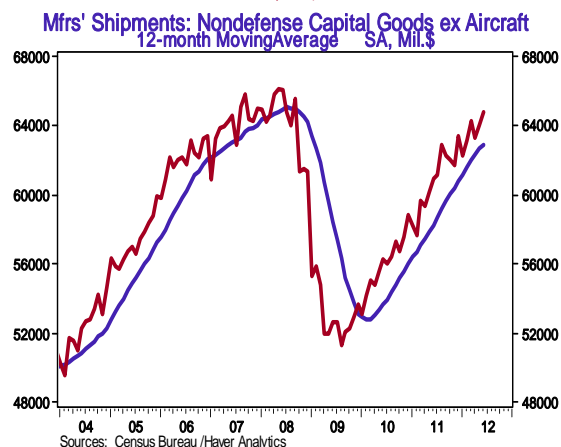
- New orders for durable goods increased 1.6% in June, beating the consensus expected gain of 0.3%. Orders excluding transportation declined 1.1%, falling short of the consensus expected gain of 0.1%. Overall new orders are up 8.0% from a year ago, while orders excluding transportation are up 3.1%.
- The gain in overall orders was led by transportation, particularly aircraft, while most other categories of orders were down.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 1.2% in June (1.7% including upward revisions to May) and were up at a 5.2% annual rate in Q2 versus the Q1 average.
- Unfilled orders were up 0.4% in June and are up 8.2% from last year.

**Implications:** No evidence at all of recession in today's numbers. The headline data was mixed for durable goods orders. Overall orders were up in June and revised higher for May, but all of the gain was due to the volatile transportation sector. The better news was on shipments of "core" capital goods, which excludes defense and aircraft. These shipments were up 1.2% in June and revised higher in May. In the past year, these shipments are up 6.2%. The trend remains upward but don't be surprised if they decline in July. Core shipments have dropped in the first month in nine of the past ten quarters, with a rebound in the following two months. Indicators still point to continued trend growth in both orders and shipments. Monetary policy is loose, corporate profits are at a record high, balance sheet cash is near a record high (earning almost zero interest), and we are in the early stages of a home building recovery. Moreover, capacity utilization at US factories is approaching its long-term norm, meaning companies have a growing incentive to update their equipment. In other news this morning, after surging two weeks ago, new claims for unemployment insurance fell 35,000 last week to 353,000. Continuing claims declined 30,000 to 3.29 million. Take all recent claims data with a grain of salt. July is unusually volatile because of problems seasonally adjusting data for annual auto-plant retooling. That said, plugging recent data into forecasting models suggests nonfarm payrolls expanded 80,000 in July, while private payrolls grew 95,000. These forecasts will change next week as we get more claims data as well as private jobs reports from Intuit and ADP. On the housing front, pending home sales, which are contracts on existing homes, declined 1.4% in June. Given this decline and a 5.4% increase in May, we still anticipate a gain in existing home sales in July (counted at closing).

**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>Jun-12</b>	<b>May-12</b>	<b>Apr-12</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>1.6%</b>	1.6%	-0.3%	12.3%	-7.5%	8.0%
<i>Ex Defense</i>	<b>-0.7%</b>	1.1%	0.9%	5.0%	-13.3%	7.3%
<i>Ex Transportation</i>	<b>-1.1%</b>	0.8%	-0.7%	-3.9%	-7.9%	3.1%
<i>Primary Metals</i>	<b>0.9%</b>	-3.2%	0.2%	-8.2%	-25.0%	16.8%
<i>Industrial Machinery</i>	<b>-1.1%</b>	5.2%	-3.4%	2.0%	-14.8%	-2.9%
<i>Computers and Electronic Products</i>	<b>-4.9%</b>	-0.1%	1.6%	-13.2%	5.0%	-2.3%
<i>Transportation Equipment</i>	<b>8.0%</b>	3.7%	0.8%	62.5%	-6.5%	20.6%
<b>Capital Goods Orders</b>	<b>6.8%</b>	3.5%	-3.4%	29.9%	-12.5%	4.9%
<b>Capital Goods Shipments</b>	<b>0.8%</b>	1.9%	-1.5%	4.8%	5.8%	7.0%
<i>Defense Shipments</i>	<b>2.0%</b>	9.7%	-9.0%	7.9%	0.2%	-1.9%
<i>Non-Defense, Ex Aircraft</i>	<b>1.2%</b>	1.1%	-1.5%	3.1%	4.5%	6.2%
<b>Unfilled Orders for Durable Goods</b>	<b>0.4%</b>	0.0%	-0.1%	1.0%	4.0%	8.2%

Source: Bureau of the Census