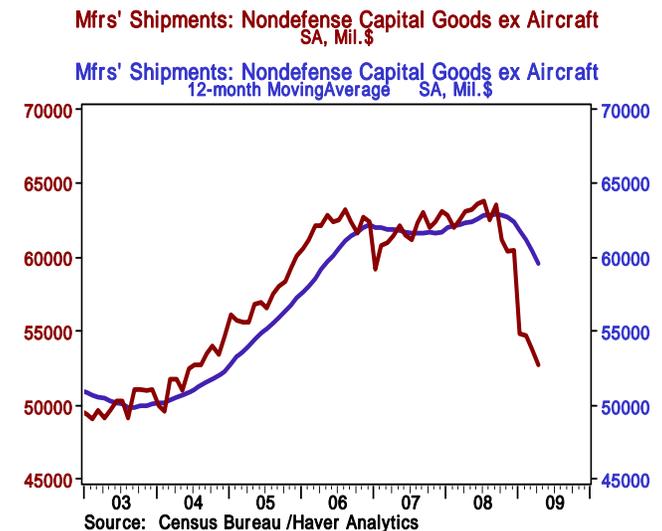
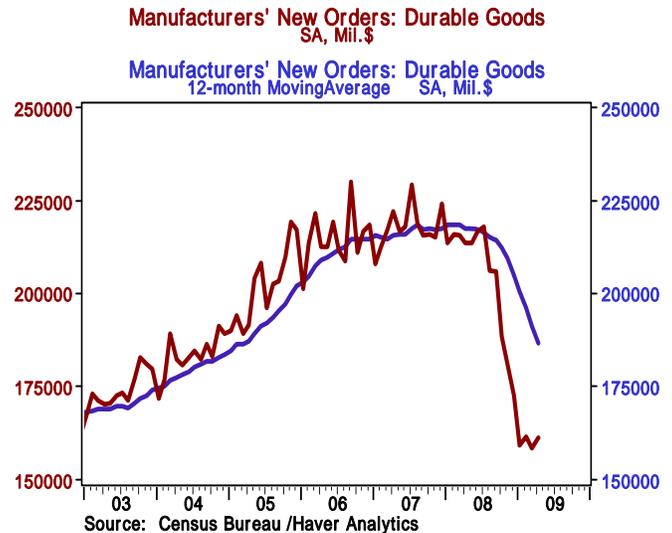


APRIL DURABLE GOODS

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- New orders for durable goods increased 1.9% in April versus a consensus expected gain of 0.5%. Excluding transportation, orders rose 0.8% versus a consensus expected decline of 0.3%. Orders in March were revised down, particularly outside the transportation sector.
- Orders increased in April in almost all major categories. The largest gains were for fabricated metals, motor vehicles/parts, and industrial machinery.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure fell 2.1% in April. If these shipments were to hold at the April levels, the Q2 average would be down at a 12.4% annual rate versus the Q1 average.

Implications: The April increase in new orders for durable goods was the strongest since late 2007 and orders have been hovering in the same range since the beginning of the year. This bolsters our case that the recession has already come to an end. We just experienced a rare form of a recession that is caused not by tight monetary policy itself but a slowdown in the velocity of money, the speed with which money circulates in the economy. A recovery from this kind of recession should be led by consumers, not business investment. As a result, we are happier about the April increase in orders (which will eventually result in more shipments) than we are disappointed by the April decline in shipments. In other news this morning, new claims for unemployment insurance fell 13,000 to 623,000. Continuing claims increased 110,000 to 6.788 million. Continuing claims tend to lag initial claims by a couple of months, so it is not surprising that continuing claims keep rising even as initial claims have already started trending downward. Given the inflection point in initial claims, we expect payroll losses to get much smaller over the next several months.



Durable Goods <i>All Data Seasonally Adjusted</i>	Apr-09	Mar-09	Feb-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	1.9%	-2.1%	1.6%	5.8%	-26.7%	-24.4%
<i>Ex Defense</i>	1.0%	-2.3%	-0.1%	-5.4%	-30.6%	-27.0%
<i>Ex Transportation</i>	0.8%	-2.7%	1.4%	-2.3%	-26.2%	-23.3%
<i>Primary Metals</i>	1.0%	-9.0%	-2.4%	-35.1%	-51.0%	-47.4%
<i>Industrial Machinery</i>	2.7%	-7.1%	6.4%	5.9%	-38.6%	-33.4%
<i>Computers and Electronic Products</i>	-2.7%	1.4%	7.3%	25.5%	-9.7%	-10.9%
<i>Transportation Equipment</i>	5.4%	0.0%	2.4%	35.8%	-28.2%	-27.5%
Capital Goods Orders	1.8%	-2.6%	8.5%	33.5%	-28.7%	-26.7%
Capital Goods Shipments	-1.4%	-1.1%	-0.6%	-11.9%	-17.2%	-13.0%
<i>Defense Shipments</i>	2.1%	-2.3%	17.7%	90.0%	21.0%	10.5%
<i>Non-Defense, Ex Aircraft</i>	-2.1%	-1.7%	-0.2%	-14.9%	-26.0%	-16.6%
Unfilled Orders for Durable Goods	-1.2%	-1.7%	-1.7%	-16.7%	-16.7%	-6.7%

Source: Bureau of the Census