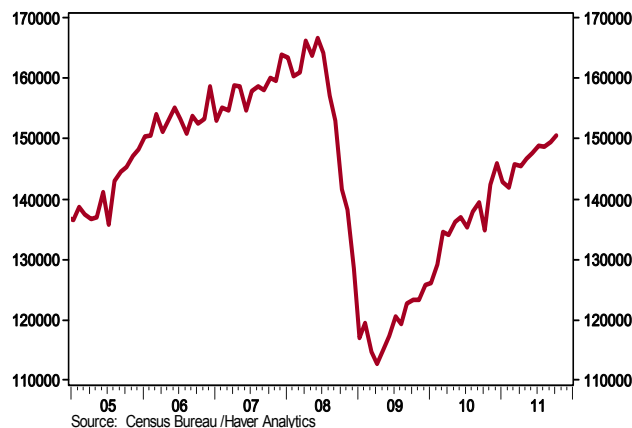


# October Durable Goods

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- New orders for durable goods declined 0.7% in October versus a consensus expected -1.2%. Orders excluding transportation gained 0.7%, easily beating the consensus expectation of no change. Overall new orders are up 7.5% from a year ago, while orders excluding transportation are up 11.7%.
- The drop in overall orders was primarily due to the civilian aircraft, which are extremely volatile from month to month. Orders for motor vehicles/parts were up 6.2%. Orders for primary metals and machinery were also up.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 1.1% in October (-1.2% including downward revisions to September).
- Unfilled orders increased 0.2% in October and are up 7.1% from last year.

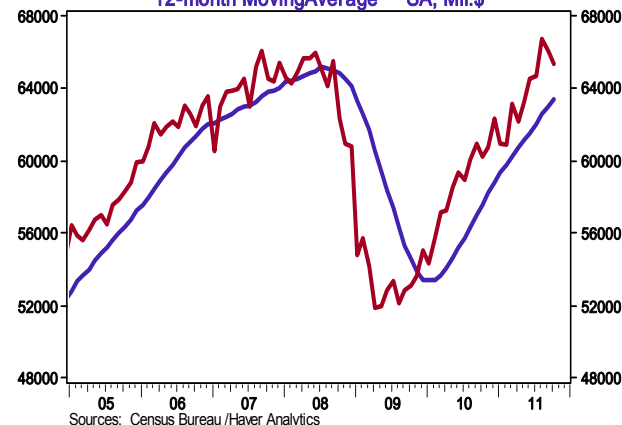
**Manufacturers' New Orders: Durable Goods Excl Transportation**  
 SA, Mil.\$



**Implications:** Durable goods declined for the second straight month in October, but, once again, it was due to the transportation sector, which is extremely volatile from month to month. The recent drops in transportation orders are very likely to reverse November as Boeing has received massive commitments so far this month. Durables excluding transportation were up 0.7% in October and are up a very robust 11.7% versus a year ago. Shipments of “core” capital goods, which exclude defense and aircraft, were down 1.1% in October, but we think this decline should be taken with a very large grain of salt. Since early 2010, these orders are down in the first month of every quarter 75% of the time, and the two exceptions have been very small gains. Meanwhile, in the second two months of every quarter, these shipments are up about 85% of the time. In other words, we think core shipments of capital goods are likely to rebound in November/December. Core shipments remain up 8.4% versus a year ago, no different than last month. In addition, unfilled orders for core capital goods hit a new all-time record high in October, fully recovered from the recession. Corporate profits and cash on the balance sheets of non-financial companies are both at record highs. As a result, the odds are stacked in favor of a substantial increase in business investment over the next few years.

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

**Mfrs' Shipments: Nondefense Capital Goods ex Aircraft**  
 12-month Moving Average SA, Mil.\$



<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>Oct-11</b>	<b>Sep-11</b>	<b>Aug-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>-0.7%</b>	<b>-1.5%</b>	<b>0.1%</b>	<b>-8.4%</b>	<b>5.6%</b>	<b>7.5%</b>
<b>Ex Defense</b>	<b>0.2%</b>	<b>-1.7%</b>	<b>-0.1%</b>	<b>-6.2%</b>	<b>8.2%</b>	<b>8.1%</b>
<b>Ex Transportation</b>	<b>0.7%</b>	<b>0.6%</b>	<b>-0.2%</b>	<b>4.5%</b>	<b>7.0%</b>	<b>11.7%</b>
<b>Primary Metals</b>	<b>3.0%</b>	<b>1.8%</b>	<b>0.0%</b>	<b>20.7%</b>	<b>28.0%</b>	<b>36.8%</b>
<b>Industrial Machinery</b>	<b>1.6%</b>	<b>-2.4%</b>	<b>-1.9%</b>	<b>-10.5%</b>	<b>0.4%</b>	<b>11.5%</b>
<b>Computers and Electronic Products</b>	<b>-0.1%</b>	<b>1.8%</b>	<b>1.4%</b>	<b>13.0%</b>	<b>1.6%</b>	<b>2.5%</b>
<b>Transportation Equipment</b>	<b>-4.8%</b>	<b>-7.6%</b>	<b>0.8%</b>	<b>-38.2%</b>	<b>1.3%</b>	<b>-4.1%</b>
<b>Capital Goods Orders</b>	<b>-6.2%</b>	<b>-3.2%</b>	<b>4.7%</b>	<b>-18.2%</b>	<b>2.0%</b>	<b>0.4%</b>
<b>Capital Goods Shipments</b>	<b>-0.6%</b>	<b>-0.8%</b>	<b>3.0%</b>	<b>6.6%</b>	<b>10.6%</b>	<b>6.8%</b>
<b>Defense Shipments</b>	<b>-7.2%</b>	<b>0.4%</b>	<b>3.3%</b>	<b>-14.1%</b>	<b>-21.6%</b>	<b>-17.8%</b>
<b>Non-Defense, Ex Aircraft</b>	<b>-1.1%</b>	<b>-1.0%</b>	<b>3.1%</b>	<b>3.9%</b>	<b>10.2%</b>	<b>8.4%</b>
<b>Unfilled Orders for Durable Goods</b>	<b>0.2%</b>	<b>0.6%</b>	<b>0.9%</b>	<b>7.0%</b>	<b>7.8%</b>	<b>7.1%</b>

Source: Bureau of the Census