

Economics Group

Tim Quinlan, Economic Analyst
tim.quinlan@wachovia.com • (704) 374-4407

Durable Goods Orders Jumped on Spike in Aircraft Orders

Durable goods orders jumped 4.9 percent in July, the largest increase in two years. Most of the gains were driven by a spike in aircraft orders. Non-defense capital goods orders ex-aircraft slipped 0.3 percent.

Huge Spike in Aircraft Orders Inflated the Headline

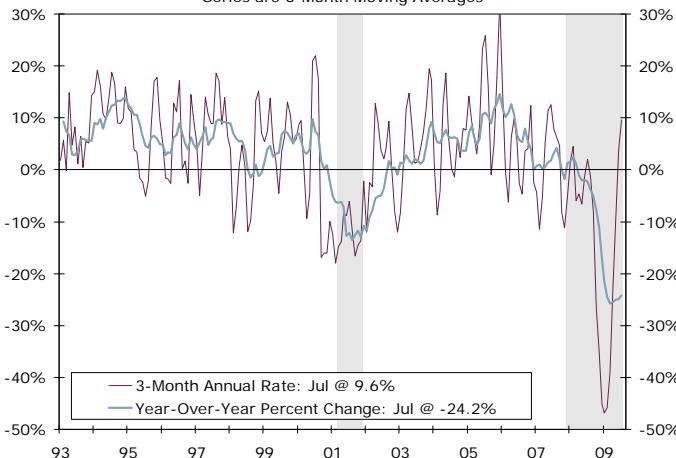
- Orders for non-defense aircraft and parts increased 107.2 percent in July. This series has a tendency to be volatile, and aircraft orders have declined on trend over the last year. This creates a low base level for orders which makes for big swings.
- Excluding aircraft, non-defense capital goods orders shed 0.3 percent. Still, on a three month annualized basis, this series is at its highest level since April 2006.

Cash-for-Clunkers Seems to Have Worked, Will it Last?

- New auto orders have been falling on trend since 2007. However, the cash-for-clunkers program helped stimulate demand as evidenced by the 0.9 percent gain in automotive orders in July. A rising tide lifts all ships, and industries related to the auto sector like fabricated metals have picked up in recent months as well. Now the question is whether or not these gains can be sustained without government incentives.

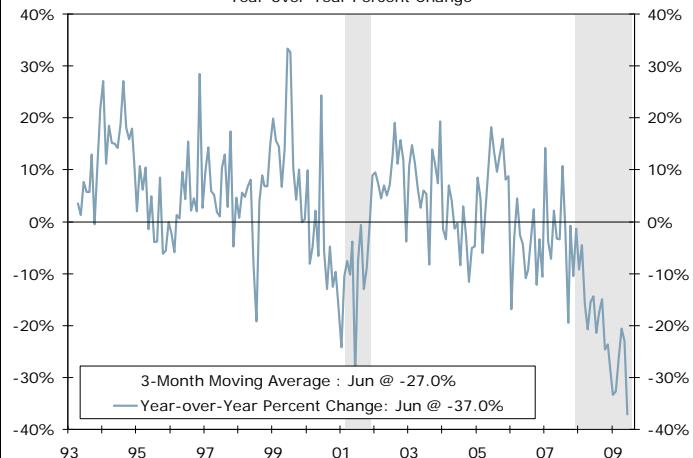
Durable Goods New Orders

Series are 3-Month Moving Averages



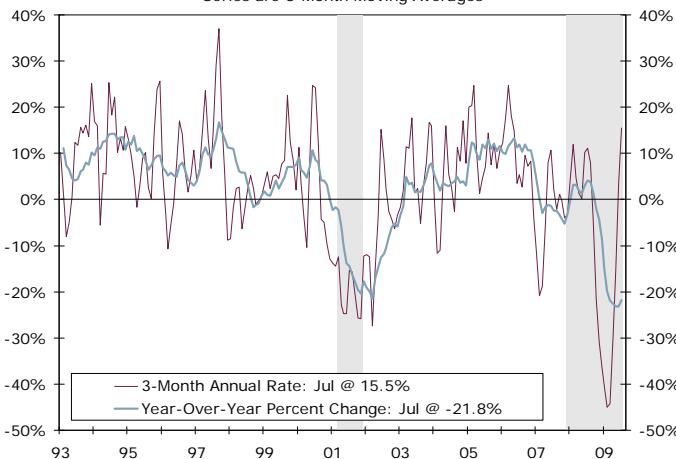
New Automotive Durable Goods Orders

Year-over-Year Percent Change



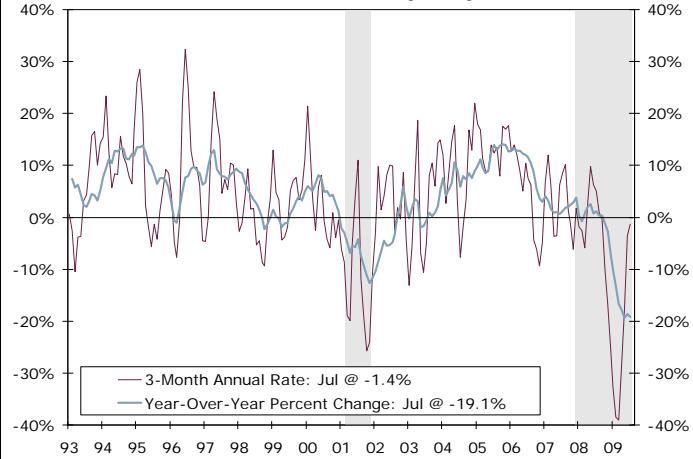
NonDefense Capital Goods Orders, Ex-Aircraft

Series are 3-Month Moving Averages



Fabricated Metal Products Orders

Series are 3-Month Moving Averages



Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wachovia.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wachovia.com
Mark Vitner	Senior Economist	(704) 383-56355	mark.vitner@wachovia.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wachovia.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667- 0168	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Economist	(704) 383-7372	sam.bullard@wachovia.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wachovia.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wachovia.com
Adam G. York	Economist	(704) 715-9660	adam.york@wachovia.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economic Analyst	(704) 374-4407	tim.quinlan@wachovia.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wachovia.com
Yasmine Kamaruddin	Economic Analyst	(704) 374-2992	yasmine.kamaruddin@wachovia.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wachovia Bank N.A., Wells Fargo Bank N.A, Wells Fargo Advisors, LLC, and Wells Fargo Securities International Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2009 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE



SECURITIES