

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

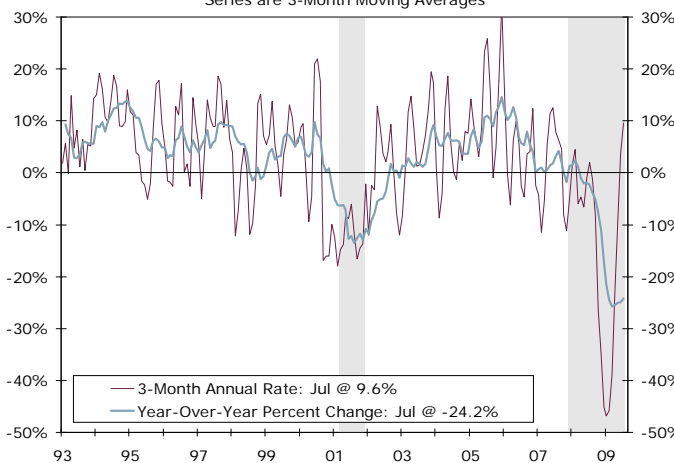
- Orders for non-defense aircraft and parts increased 107.2 percent in July. This series has a tendency to be volatile, and aircraft orders have declined on trend over the last year. This creates a low base level for orders which makes for big swings.
- Excluding aircraft, non-defense capital goods orders 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?

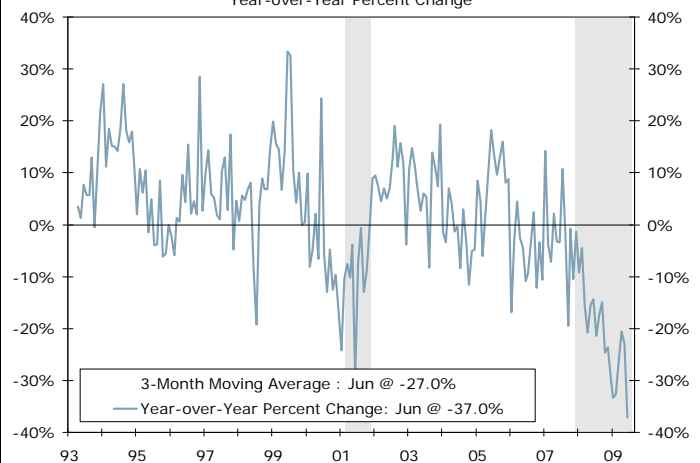
- New auto orders have been falling on trend since 2007. However, the cash-for-clunkers program helped stimulate demand as evidenced by the 0.9 percent gain in automotive orders in July. A rising tide lifts all ships, and industries related to the auto sector like fabricated metals have picked up in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

Durable Goods New Orders

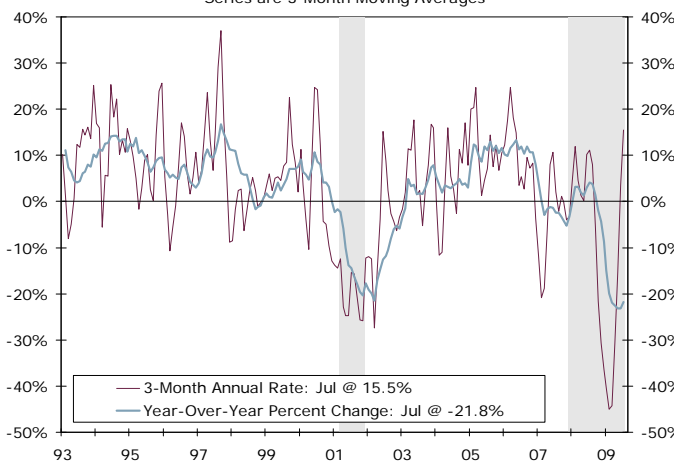
Series are 3-Month Moving Averages

**New Automotive Durable Goods Orders**

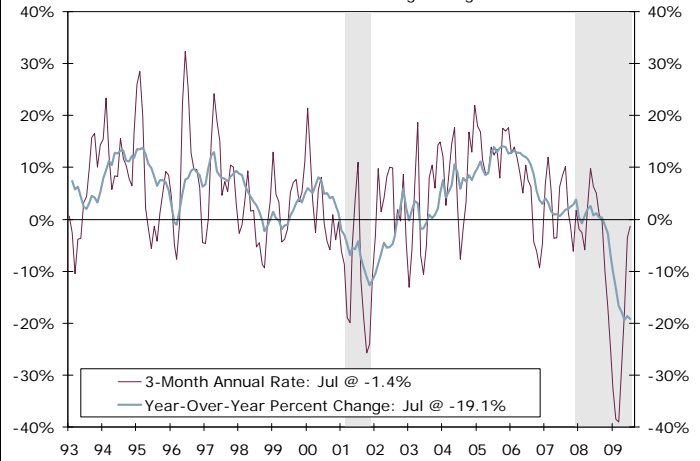
Year-over-Year Percent Change

**NonDefense Capital Goods Orders, Ex-Aircraft**

Series are 3-Month Moving Averages

**Fabricated Metal Products Orders**

Series are 3-Month Moving Averages



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

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

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