

## Economics Group

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

# Durable Goods Orders Slip on Big Drop in Transport Sector

**A larger-than-expected drop in durable goods orders in June was offset by an unexpected pickup in ex-transportation orders. Aside from the volatility of the transportation sector, gradual recovery continues.**

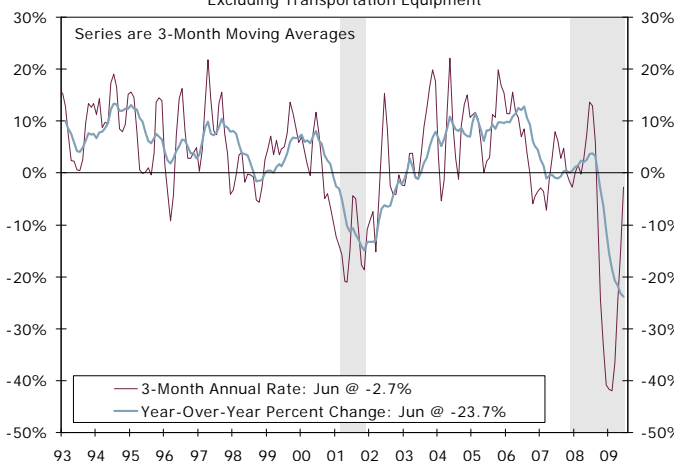
### Transportation Sector Tends to be Volatile

- Transportation orders fell 12.8 percent in June, dragged down by 38.5 percent drop in nondefense aircraft orders. In May, nondefense aircraft orders soared more than 60 percent.
- To filter out the noise, we like to look at the ex transportation number as well as non-defense capital goods, ex-aircraft. Both of these series gained for the second straight month and signal that the collapse in orders may to be behind us.

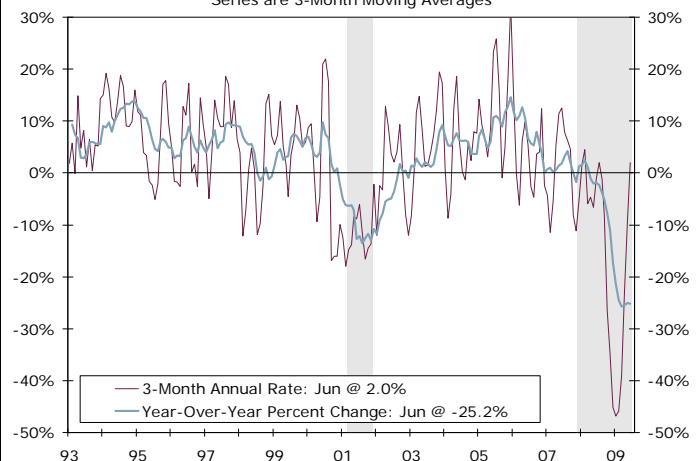
### Slow Recovery Underway

- Even taking into account the dip in June, durable goods orders are firmly in positive territory at a three month annual rate, which suggests a welcome momentum shift.
- Inventories have been drawn down at a staggering rate so far this year as business owners scramble to cut production in an effort to survive this recession. This depletion in stockpiles sets the stage for a gradual recovery, which appears to be underway.

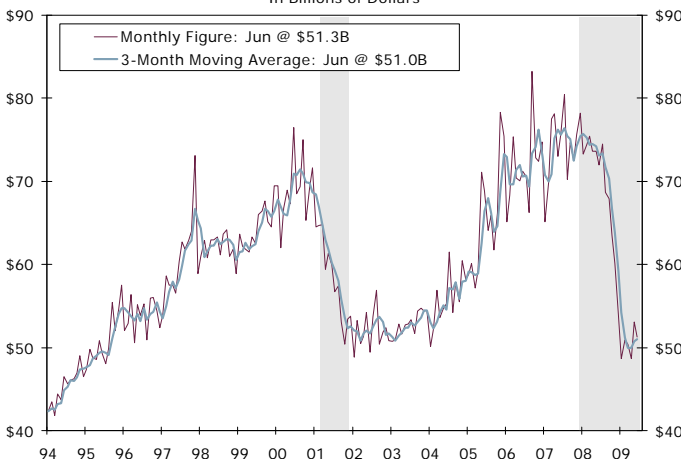
**Durable Goods New Orders**  
 Excluding Transportation Equipment



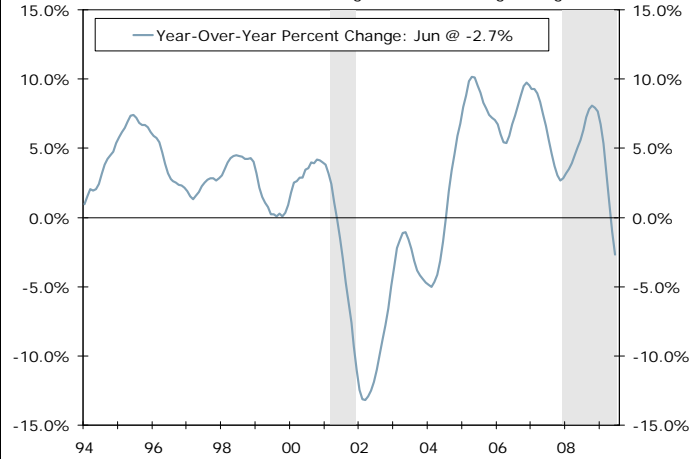
**Durable Goods New Orders**  
 Series are 3-Month Moving Averages



**Nondefense Capital Goods New Orders**  
 In Billions of Dollars



**Durable Goods Inventories**  
 Year-over-Year Percent Change, 3-Month Moving Average



## 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 Wachovia 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 a is a wholly owned subsidiary of Wells Fargo & Company © 2009 Wells Fargo Securities, LLC.

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

