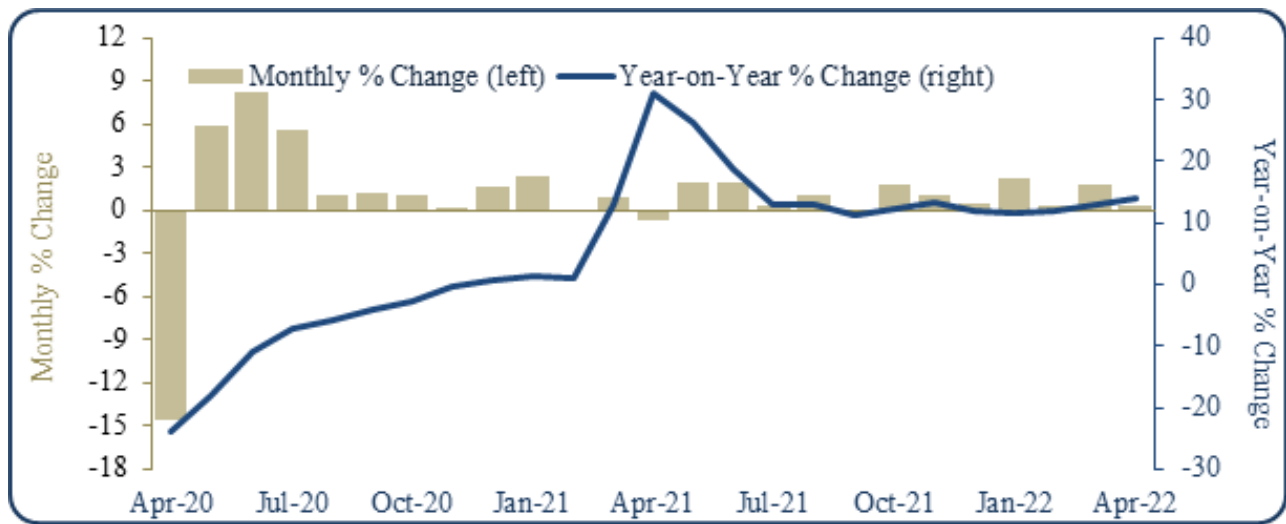


02.Jun.2022

Factory Orders: Still Robust But Decelerating

Bottom Line: The April Factory Orders report confirmed continued deceleration but historically still robust growth. Gains from March were revised lower as April also printed below expectations. April's gains were still modestly above the 1st Quarter levels, suggesting equipment spending in GDP accounting started the 2nd Quarter on a positive note. On a trend basis we see nondefense capital goods shipments were still up 6% annualized in the three months ended in April, slower than the 2021 pace of 11.5% but still well above the long-term average of 0.5 - 1.5%. **Overall, manufacturing remains strong but is decelerating modestly amid higher input prices and some signs of waning demand after historic gains coming out of the pandemic.**





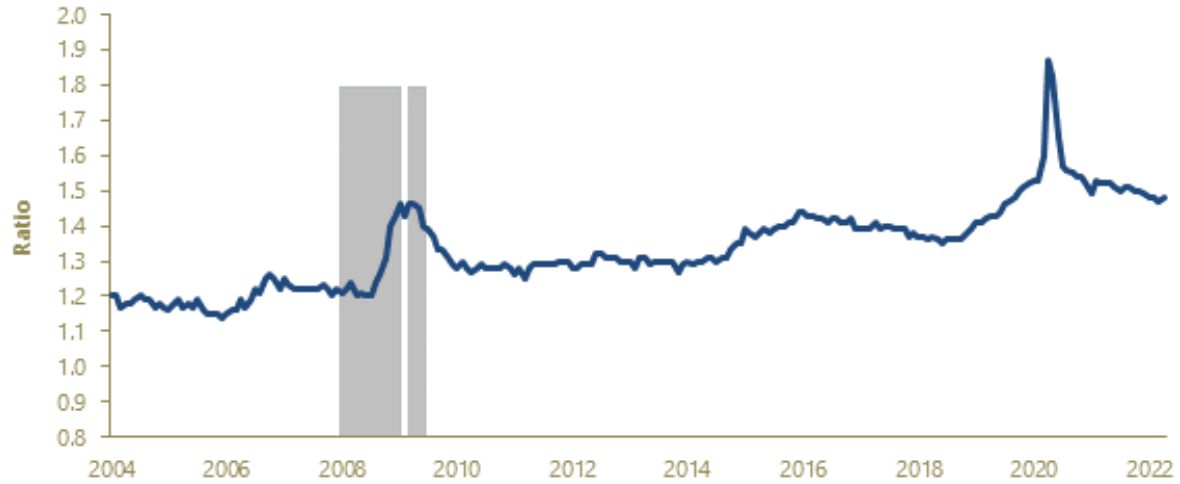
Factory Orders ROSE by 0.3% in April, compared with market expectations for a decline of 0.6%. The prior month's gain was revised lower from 2.2% to 1.8%.

Durable goods orders climbed by 0.5%, as previously reported, while nondurable goods orders jumped by 0.2%. Excluding orders for defense goods, civilian aircraft, and petroleum products, (so called) **core factory orders** ROSE by 0.2%. Factory orders are now 14.0% ABOVE their year-ago level but the year-over-year growth rate has declined moderately over the past year (from 31.2% a year ago to the current 14.0%).

The April level is modestly above its Q1 average, after a slight increase in equipment spending in the Q1 GDP report.



Inventory/Shipment Ratio



| | Percent Change | | | | | | | | | | |
|-------------------------------------|------------------|-------------|-------------|-------------|---------------------------|-------------|--------------|--------------|--------------|-------------|-------------|
| | Monthly % Change | | | | Annual Rate of Change (%) | | | | | | |
| | Apr-22 | Mar-22 | Feb-22 | Jan-22 | Three Month | Six Month | Twelve Month | 2021 | 2020 | Five Year | Ten Year |
| Factory New Orders | 0.3 | 1.8 | 0.3 | 2.3 | 10.1 | 13.3 | 14.0 | 11.9 | 0.6 | 2.6 | 0.6 |
| <i>previous estimate</i> | | 2.2 | 0.1 | 1.5 | | | | | | | |
| ex-Transportation | 0.3 | 2.2 | 0.7 | 1.3 | 13.2 | 12.1 | 12.4 | 11.8 | -1.7 | 2.9 | 0.4 |
| ex-Defense | 0.2 | 2.1 | 0.0 | 2.3 | 9.7 | 13.7 | 14.1 | 12.1 | 2.0 | 2.8 | 0.5 |
| Durable Goods | 0.5 | 0.7 | -0.7 | 3.1 | 1.8 | 12.4 | 12.2 | 10.8 | 7.5 | 3.3 | 1.4 |
| Nondurable Goods | 0.2 | 2.9 | 1.3 | 1.5 | 19.2 | 14.3 | 15.8 | 13.0 | -5.6 | 2.0 | -0.1 |
| Capital Goods New Orders | 0.8 | -1.6 | -2.2 | 9.7 | -11.8 | 12.4 | 12.3 | 16.9 | 16.1 | 3.0 | -0.1 |
| Nondefense | 0.5 | -0.4 | -4.1 | 8.2 | -15.3 | 14.6 | 12.9 | 22.0 | 29.0 | 4.5 | -0.5 |
| ex-aircraft | 0.4 | 1.1 | -0.2 | 1.4 | 5.3 | 7.3 | 7.7 | 11.3 | 1.6 | 3.7 | 0.3 |
| Defense | 2.5 | -8.7 | 10.6 | 20.5 | 14.9 | -0.4 | 8.9 | -10.9 | -25.0 | -5.3 | 4.0 |
| Inventories | 0.6 | 1.4 | 0.7 | 0.8 | 11.3 | 9.9 | 10.7 | 9.0 | -1.8 | 3.6 | 2.3 |
| Durable Goods | 0.8 | 0.9 | 0.5 | 0.5 | 9.5 | 9.2 | 10.3 | 9.0 | -1.2 | 4.2 | 2.8 |
| Nondurable Goods | 0.1 | 2.1 | 1.1 | 1.2 | 14.3 | 11.0 | 11.3 | 8.9 | -2.7 | 2.8 | 1.4 |
| Inventory-to-Shipments Ratio | 1.48 | 1.47 | 1.48 | 1.48 | 1.48 | 1.49 | 1.50 | 1.49 | 1.52 | 1.46 | 1.40 |
| Shipments | 0.2 | 2.2 | 0.8 | 1.5 | 13.3 | 12.7 | 14.0 | 10.7 | -1.7 | 2.2 | 0.8 |
| Nondefense Capital Good | 0.7 | 0.4 | 0.3 | 2.3 | 6.0 | 11.9 | 10.6 | 11.5 | -2.0 | 1.7 | 0.6 |
| ex-aircraft | 0.8 | 0.3 | 0.8 | 1.9 | 7.9 | 12.6 | 11.6 | 12.0 | -1.5 | 3.0 | 0.5 |

Source: Bureau of the Census, Department of Commerce via Bloomberg. Our calculations.

Copyright © 2019 Contingent Macro Advisors, LLC. All rights reserved. Reproduction and/or redistribution are expressly prohibited. "Economic Advisory Service" is a registered trademark of Contingent Macro Advisors, LLC. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed.

T.J. Connelly, Head of Research

June 2, 2022

Steven A. Wood, Senior Economic Adviser