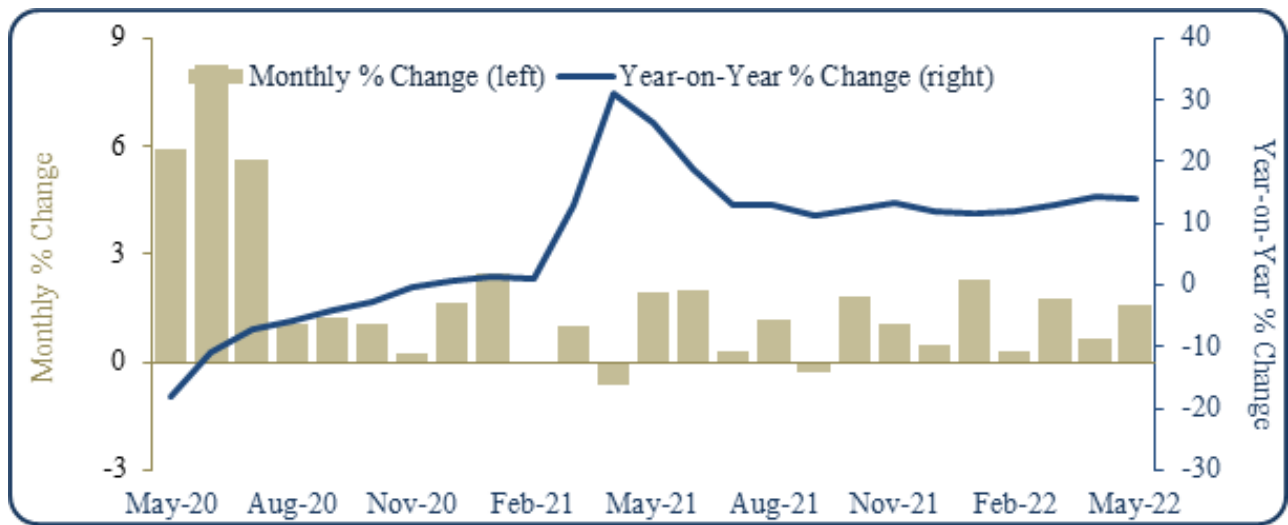


05.Jul.2022

Factory Orders: Still Robust, Inventories Building

Bottom Line: The May Factory Orders report was stronger than expected with positive revisions. While recent survey data suggest that manufacturing growth slowed sharply since May, this report suggests the sector was still a robust contributor to growth in the first two months of the 2nd Quarter. While inventory to shipment ratios continued to trend lower, the level of inventory growth is historically high and bears watching. The transportation sector, which has been very volatile as automakers deal with supply chain disruptions, was notably strong. Aircraft orders, as previously reported, remained historically robust as the industry continues to reassess demand since the pandemic. Those two segments will remain key to the manufacturing outlook as we advance -- and most indications suggest the auto sector is likely slowing while aerospace remains more robust. **Overall, manufacturing remained strong through May -- and the level of growth suggests that even decelerating activity, as suggested by survey data since May, will be enough to provide a modest to moderate tailwind for economic growth.**





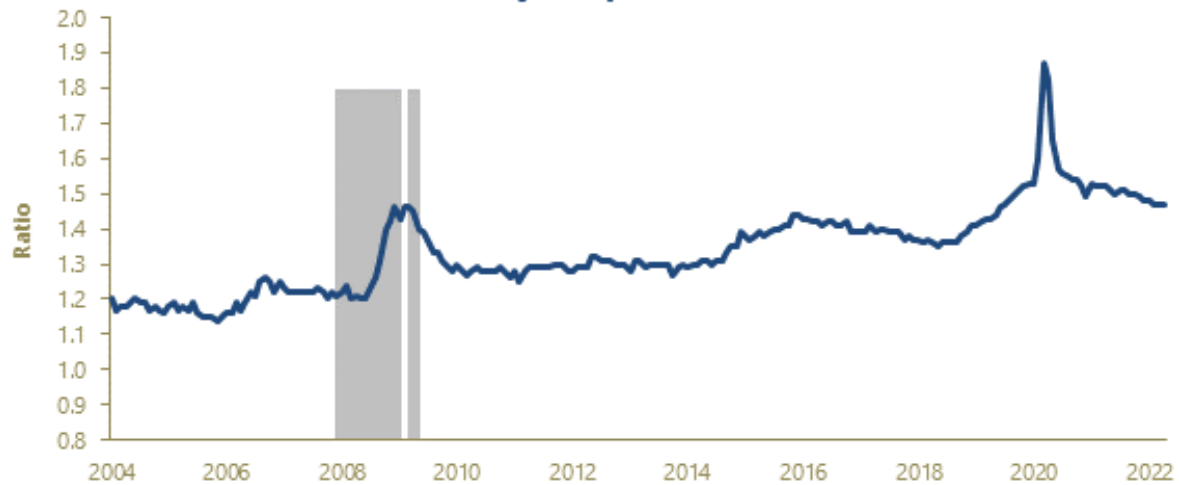
Factory Orders ROSE by 1.6% in May, compared with market expectations for a decline of 0.6%. The prior month's gain was revised higher from 0.3% to 0.7%.

Durable goods orders climbed by 0.8%, as previously reported, while nondurable goods orders jumped by 2.3%. Excluding orders for defense goods, civilian aircraft, and petroleum products, (so-called) **core factory orders** ROSE by 0.6%. 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 26.3% a year ago to the current 14.0%).

The April/May average is moderately above its Q1 level, suggesting a slight increase in equipment spending in Q2.



Inventory/Shipment Ratio



	Percent Change										
	Monthly % Change				Annual Rate of Change (%)						
	May-22	Apr-22	Mar-22	Feb-22	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
Factory New Orders	1.6	0.7	1.8	0.3	17.3	15.2	14.0	0.6	-5.6	0.9	0.6
<i>previous estimate</i>		0.3	1.8	0.3							
ex-Transportation	1.7	0.6	2.2	0.7	19.6	14.6	13.5	-1.7	-2.7	1.2	0.0
ex-Defense	1.5	0.6	2.1	0.0	18.2	15.1	14.0	2.0	-6.8	0.8	0.6
Durable Goods	0.8	0.4	0.7	-0.7	7.9	10.9	10.8	7.5	-9.7	1.3	1.8
Nondurable Goods	2.3	0.9	2.9	1.3	27.5	19.6	17.3	-5.6	-1.5	0.5	-0.6
Capital Goods New Orders	0.9	0.6	-1.6	-2.2	-0.7	8.0	11.2	16.1	-19.1	2.5	0.9
Nondefense	0.6	0.3	-0.4	-4.1	1.9	7.1	11.0	29.0	-27.3	2.3	0.9
ex-aircraft	0.6	0.4	1.1	-0.2	8.6	6.9	10.0	1.6	-4.3	1.2	0.3
Defense	2.6	2.5	-8.7	10.6	-15.0	13.9	12.5	-25.0	26.4	3.9	1.0
Inventories	1.3	0.8	1.4	0.7	14.8	11.3	11.1	-1.8	4.7	1.8	2.3
Durable Goods	0.6	0.9	0.9	0.5	10.1	8.8	9.9	-1.2	5.9	1.7	2.9
Nondurable Goods	2.3	0.6	2.1	1.1	22.4	15.3	13.1	-2.7	2.9	1.8	1.5
Inventory-to-Shipments Ratio	1.47	1.47	1.47	1.48	1.47	1.48	1.49	1.52	1.52	1.44	1.38
Shipments	1.8	0.6	2.2	0.8	20.2	15.8	15.0	-1.7	-4.1	0.7	0.6
Nondefense Capital Good	1.6	0.8	0.4	0.3	11.6	12.6	12.2	-2.0	-9.5	-0.4	0.7
ex-aircraft	0.8	0.8	0.3	0.8	7.7	12.2	11.7	-1.5	-5.1	-0.3	0.5

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

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