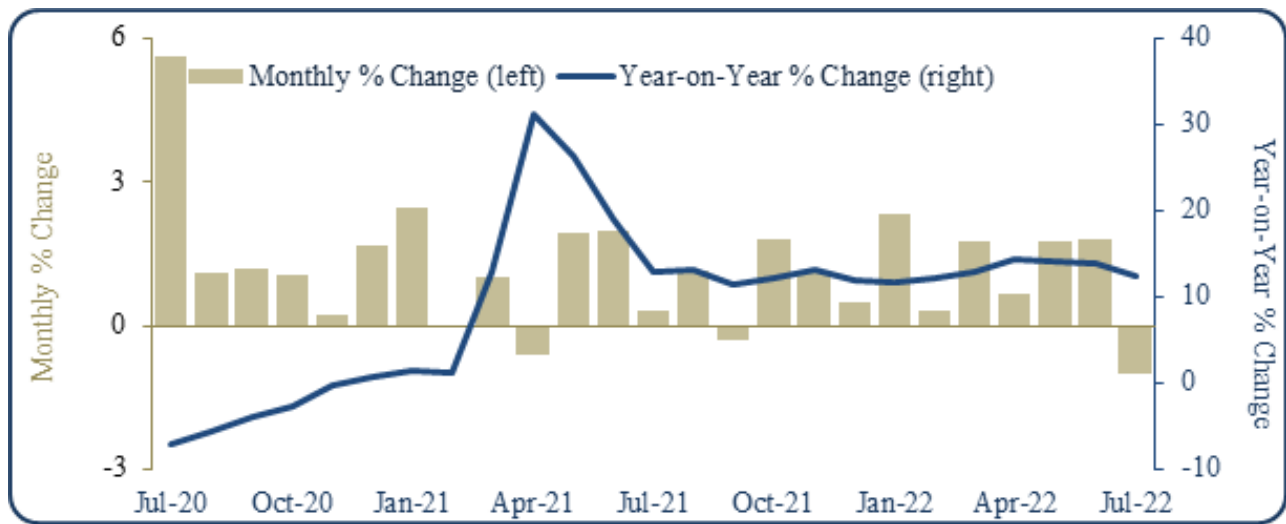


02.Sep.2022

Factory Orders: Sharp Decline As Production Holds Up

Bottom Line: The July Factory Orders report surprised to the downside as the orders fell across most segments. While lagged relative to other data, this "hard" data confirms what we've seen in "soft" survey data, where order growth started to fall sharply early in Q3 but production held up as manufacturers worked off order backlogs. Nondefense capital goods shipments in this report, for instance, rose, while orders fell. Overall, the manufacturing sector was still running at historically moderate to robust levels in the early part of the quarter, but all indications of future activity were turning lower.





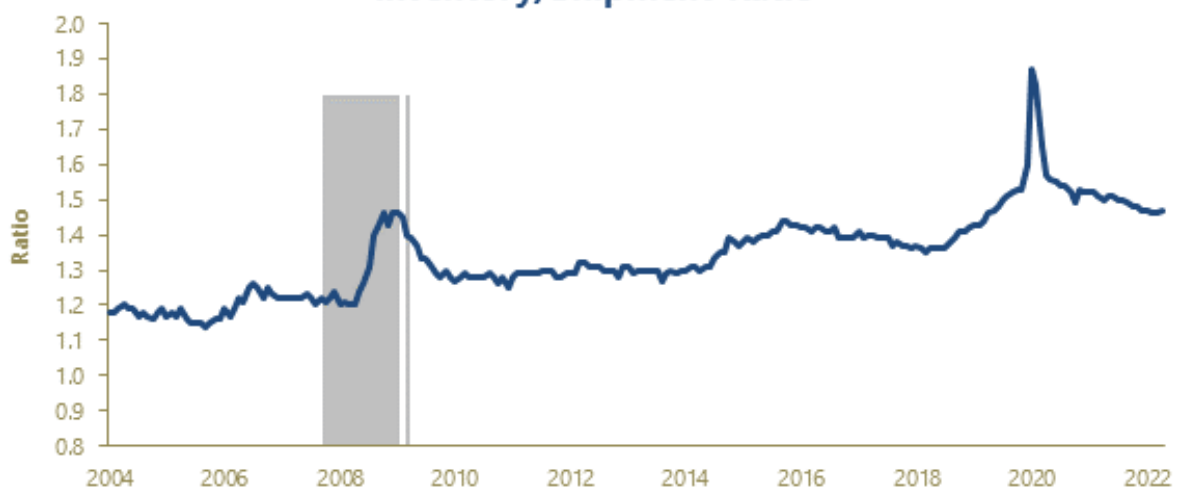
Factory Orders FELL by 1.0% in July, compared with market expectations for an increase of 1.2%. The prior month's gain was revised higher from 1.6% to 1.8%.

Durable goods orders declined by 0.1%, as previously reported, while nondurable goods orders slipped by 1.9%. Excluding orders for defense goods, civilian aircraft and petroleum products, (so called) **core factory orders were unchanged.**

Factory orders are now 12.5% ABOVE their year ago level, but the year-over-year growth rate has declined just slightly over the past year (from 13.0% a year ago to the current 12.5%).

The July level is modestly above its Q2 average, after a slight decline in equipment spending in the Q2 GDP report.

Inventory/Shipment Ratio



Manufacturing Inventories



	Percent Change										
	Monthly % Change				Annual Rate of Change (%)						
	Jul-22	Jun-22	May-22	Apr-22	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
Factory New Orders	-1.0	1.8	1.8	0.7	10.5	11.1	12.5	0.6	-5.6	0.9	0.6
<i>previous estimate</i>		1.6	0.7	1.8							
ex-Transportation	-1.1	1.0	1.8	0.6	6.9	10.8	11.3	-1.7	-2.7	1.2	0.0
ex-Defense	-0.5	1.1	1.7	0.6	9.8	10.5	12.6	2.0	-6.8	0.8	0.6
Durable Goods	-0.1	2.3	0.8	0.4	12.3	6.8	10.7	7.5	-9.7	1.3	1.8
Nondurable Goods	-1.9	1.4	2.7	0.9	8.8	15.5	14.3	-5.6	-1.5	0.5	-0.6
Capital Goods New Orders	3.5	0.7	1.0	0.6	23.0	3.8	14.9	16.1	-19.1	2.5	0.9
Nondefense	2.7	1.0	0.9	0.3	20.3	0.5	16.0	29.0	-27.3	2.3	0.9
ex-aircraft	0.3	1.0	0.5	0.4	7.4	6.3	8.4	1.6	-4.3	1.2	0.3
Defense	8.7	-1.4	1.5	2.5	40.3	26.9	8.6	-25.0	26.4	3.9	1.0
Inventories	0.1	0.4	1.3	0.8	7.3	9.8	9.9	-1.8	4.7	1.8	2.3
Durable Goods	0.3	0.4	0.6	0.9	5.4	7.6	8.8	-1.2	5.9	1.7	2.9
Nondurable Goods	-0.2	0.4	2.4	0.6	10.4	13.5	11.6	-2.7	2.9	1.8	1.5
Inventory-to-Shipments Ratio	1.47	1.46	1.46	1.47	1.47	1.47	1.48	1.52	1.52	1.44	1.38
Shipments	-0.9	0.8	2.1	0.6	8.5	11.9	11.8	-1.7	-4.1	0.7	0.6
Nondefense Capital Good	0.9	-0.2	1.7	0.8	10.4	8.3	10.3	-2.0	-9.5	-0.4	0.7
ex-aircraft	0.5	0.8	1.0	0.8	9.6	8.7	11.0	-1.5	-5.1	-0.3	0.5

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

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