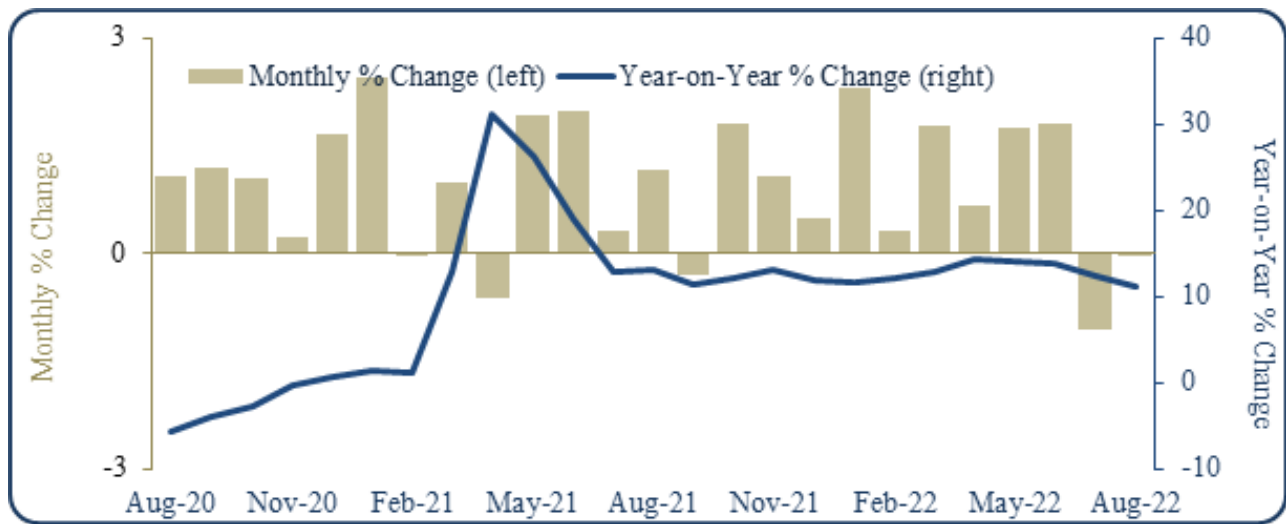


04.Oct.2022

## Factory Orders: Deceleration Continues, Still Growth For Now

**Bottom Line:** The August Factory Orders report showed flat activity at the headline level and slight growth in core components as this "hard data" report confirmed what the "soft data" (purchasing manager surveys) have been telling us for months. Nondefense capital goods shipments remained robust, but the outlook for the coming months looks much less sanguine given a sharp deceleration in order growth. **The 3rd Quarter should still see positive growth from fixed investment categories like equipment spending, but fixed investment will likely prove to be a drag on 4th Quarter growth.**





**Factory Orders** were NEARLY UNCHANGED in August, in line with market expectations.

**Durable goods orders** declined by 0.2%, as previously reported, while nondurable goods orders rose by 0.2%. Excluding orders for defense goods, civilian aircraft, and petroleum products, (so-called) **core factory orders** ROSE by 0.5%. Factory orders are now 11.2% ABOVE their year ago level, but the year-over-year growth rate has declined modestly over the past year (from 13.0% a year ago to the current 11.2%).

The July/August average is moderately above its Q2 level, suggesting a slight positive from equipment spending in Q3.



## Manufacturing Inventories



	Monthly % Change				Percent Change						
					Annual Rate of Change (%)						
	Aug-22	Jul-22	Jun-22	May-22	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
<b>Factory New Orders</b>	0.0	-1.0	1.8	1.8	3.0	10.3	11.2	0.6	-5.6	0.9	0.6
<i>previous estimate</i>		-1.0	1.8	1.8							
<b>ex-Transportation</b>	0.2	-1.1	1.0	1.8	0.3	9.8	10.5	-1.7	-2.7	1.2	0.0
<b>ex-Defense</b>	-0.3	-0.6	1.1	1.7	0.8	9.6	10.6	2.0	-6.8	0.8	0.6
<b>Durable Goods</b>	-0.2	-0.1	2.3	0.8	8.0	7.9	8.8	7.5	-9.7	1.3	1.8
<b>Nondurable Goods</b>	0.2	-1.9	1.4	2.7	-1.6	12.8	13.6	-5.6	-1.5	0.5	-0.6
<b>Capital Goods New Orders</b>	-0.8	3.9	0.7	1.0	16.3	7.7	8.9	16.1	-19.1	2.5	0.9
<b>Nondefense</b>	-2.7	2.5	1.0	0.9	3.4	3.3	5.6	29.0	-27.3	2.3	0.9
<b>ex-aircraft</b>	1.4	0.7	1.0	0.5	12.8	10.5	8.9	1.6	-4.3	1.2	0.3
<b>Defense</b>	10.1	12.7	-1.4	1.5	123.9	35.1	30.1	-25.0	26.4	3.9	1.0
<b>Inventories</b>	-0.1	0.0	0.4	1.3	1.0	7.7	8.8	-1.8	4.7	1.8	2.3
<b>Durable Goods</b>	0.2	0.2	0.4	0.6	3.8	7.0	8.0	-1.2	5.9	1.7	2.9
<b>Nondurable Goods</b>	-0.7	-0.4	0.4	2.4	-3.2	9.0	10.0	-2.7	2.9	1.8	1.5
<b>Inventory-to-Shipments Ratio</b>	1.46	1.47	1.46	1.46	1.46	1.47	1.48	1.52	1.52	1.44	1.38
<b>Shipments</b>	0.5	-0.9	0.8	2.1	1.7	11.1	12.2	-1.7	-4.1	0.7	0.6
<b>Nondefense Capital Good</b>	1.8	1.1	-0.2	1.7	11.5	12.0	13.1	-2.0	-9.5	-0.4	0.7
<b>ex-aircraft</b>	0.4	0.6	0.8	1.0	7.8	8.2	11.1	-1.5	-5.1	-0.3	0.5

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