

U.S. Data Review

- Factory orders: firm nominal advance; likely modest change in real terms

Michael Moran
Lawrence Werther

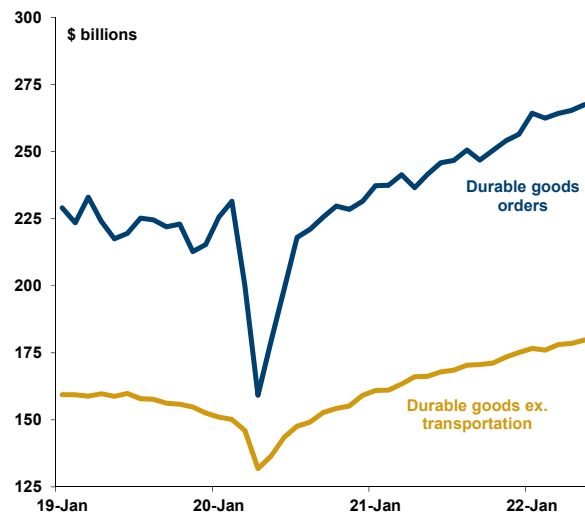
Daiwa Capital Markets America
 michael.moran@us.daiwacm.com
 lawrence.werther@us.daiwacm.com

Factory Orders

New orders for manufactured goods rose 1.6 percent in May, firmer than the expected advance of 0.5 percent. A small part of the surprise involved an upward revision to orders for durable goods, which now show an increase of 0.8 percent versus the preliminary estimate of 0.7 percent published on June 27. The increase in the durable component was broadly based, with seven of the eight major industry categories posting gains (only electrical equipment declined). The often volatile transportation category posted an increase of 1.0 percent, as bookings for defense aircraft and motor vehicles offset a dip in orders for commercial aircraft. Orders for durable goods ex-transportation rose 0.7 percent, continuing their upward trend (chart, left). Although durable orders were generally firm, higher prices were undoubtedly a factor in fueling reported values; the gains probably translated to little change in real terms.

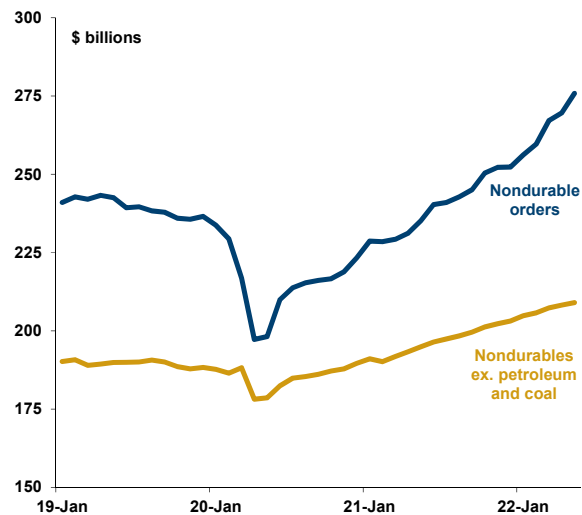
The bigger surprise in the report involved an increase of 2.3 percent in orders for nondurable goods, notably stronger than the increase of 0.3 percent implied by the consensus estimate for the headline figure. Most of the advance reflected a surge of 8.9 percent in bookings for petroleum and coal products. However, this increase was heavily influenced by higher prices (the price of crude oil rose 7.4 percent in May and the price of fuel oil jumped 13.8 percent). Excluding petroleum and coal products, orders for nondurable goods rose 0.4 percent, continuing their upward trend (up in 24 of the past 25 months; chart, right). As with other elements of this report, the increase in nondurable orders ex-petroleum and coal would be less impressive after adjusting for inflation.

Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

Orders for Nondurable Goods



Source: U.S. Census Bureau via Haver Analytics

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