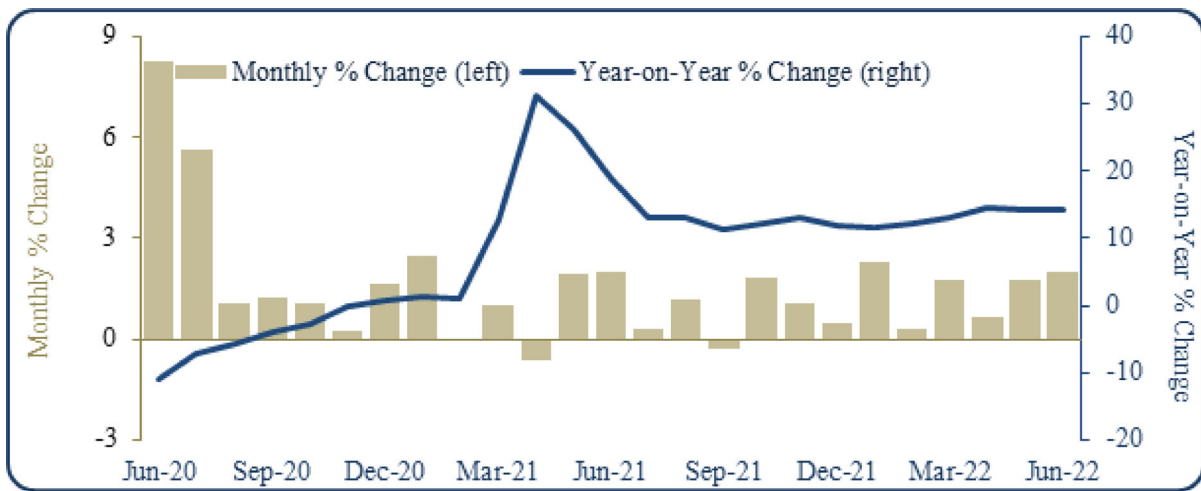


03.Aug.2022

Factory Orders: Still Robust, Inventories Building

Bottom Line: The June Factory Orders report surprised to the upside with positive revisions as the volatile automobile sector continued to rebound after supply-induced slowdowns. This June report offers the potential for upward revisions to the 2nd Quarter GDP tally. That said, most reports suggest manufacturing activity has slowed notably since June. Production of durable and nondurable goods has remained moderate, but new order growth relative to inventories suggests a potential slowdown in activity once manufacturers work through order backlogs.





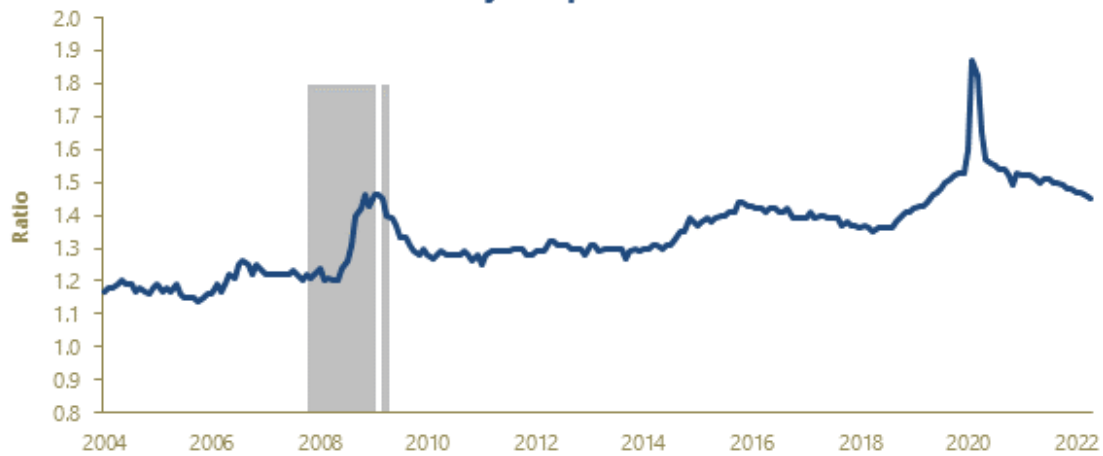
Factory Orders ROSE by 2.0% in June, compared with market expectations for an increase of 1.2%. The prior month's gain was revised higher from 1.6% to 1.8%.

Durable goods orders climbed by 2.0%, as previously reported, while nondurable goods orders jumped by 2.0%. Excluding orders for defense goods, civilian aircraft and petroleum products, (so called) **core factory orders** ROSE by 0.7%. Factory orders are now 14.2% ABOVE their year ago level but the year-over-year growth rate has declined moderately over the past year (from 18.9% a year ago to the current 14.2%).

The Q2 average for nondefense capital goods shipments is moderately above its Q1 level, compared with a slight decline in equipment spending that was reported in the advance Q2 GDP report.



Inventory/Shipment Ratio



	Percent Change										
	Monthly % Change				Annual Rate of Change (%)						
	Jun-22	May-22	Apr-22	Mar-22	Three Month	Six Month	Twelve Month	2020	2019	Five Year	Ten Year
Factory New Orders	2.0	1.8	0.7	1.8	19.2	19.1	14.2	0.6	-5.6	0.9	0.6
<i>previous estimate</i>		1.6	0.7	1.8							
ex-Transportation	1.4	1.8	0.6	2.2	16.3	17.0	13.3	-1.7	-2.7	1.2	0.0
ex-Defense	1.3	1.7	0.6	2.1	15.4	17.1	13.5	2.0	-6.8	0.8	0.6
Durable Goods	2.0	0.8	0.4	0.7	13.7	13.2	11.0	7.5	-9.7	1.3	1.8
Nondurable Goods	2.0	2.7	0.9	2.9	24.8	25.2	17.5	-5.6	-1.5	0.5	-0.6
Capital Goods New Orders	0.1	1.0	0.6	-1.6	6.9	15.0	5.9	16.1	-19.1	2.5	0.9
Nondefense	0.3	0.9	0.3	-0.4	6.2	10.0	6.8	29.0	-27.3	2.3	0.9
ex-aircraft	0.7	0.5	0.4	1.1	6.5	8.1	8.6	1.6	-4.3	1.2	0.3
Defense	-1.3	1.5	2.5	-8.7	11.2	56.0	0.8	-25.0	26.4	3.9	1.0
Inventories	0.4	1.3	0.8	1.4	10.5	11.4	10.5	-1.8	4.7	1.8	2.3
Durable Goods	0.4	0.6	0.9	0.9	7.9	8.0	9.2	-1.2	5.9	1.7	2.9
Nondurable Goods	0.4	2.4	0.6	2.1	14.6	17.0	12.5	-2.7	2.9	1.8	1.5
Inventory-to-Shipments Ratio	1.45	1.46	1.47	1.47	1.46	1.47	1.49	1.52	1.52	1.44	1.38
Shipments	1.1	2.1	0.6	2.2	16.6	17.9	14.8	-1.7	-4.1	0.7	0.6
Nondefense Capital Good	-0.3	1.7	0.8	0.4	9.2	11.1	10.2	-2.0	-9.5	-0.4	0.7
ex-aircraft	0.7	1.0	0.8	0.3	10.5	11.5	11.4	-1.5	-5.1	-0.3	0.5

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

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