

Economics Group

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Factory Orders Get Lift From Aircraft Orders

Aircraft orders soared in January, helping total factory orders climb 1.7 percent for the month. Stripping out the contribution from aircraft and other transportation sectors, orders edged up only 0.1 percent.

Slow Climb Back to the Peak

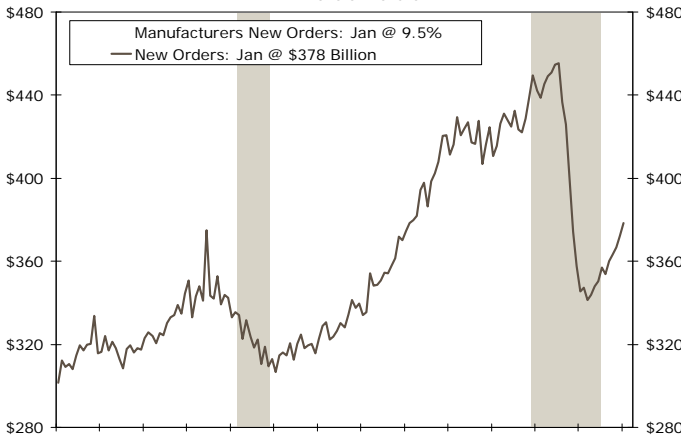
- Despite rising nine of the past ten months, factory orders are only about a third of the way back to their pre-recession peak. From the peak to where we are today, orders are still down 16.9 percent.
- New orders for non-defense capital goods, ex-aircraft slipped 4.1 percent. While this raises concern about business spending, this series has been rising on trend since last summer.

Inventory Levels Back Down to Earth

- For factories that halted production and drew down inventories to survive the recession, it is back to business. The inventory to shipments ratio is now back below levels seen in the 1990s and factories can begin ramping up production to meet new orders.
- In a separate release earlier this week the ISM New Orders Index posted its eighth consecutive month in expansion territory. This suggests to us that orders can keep growing in coming months.

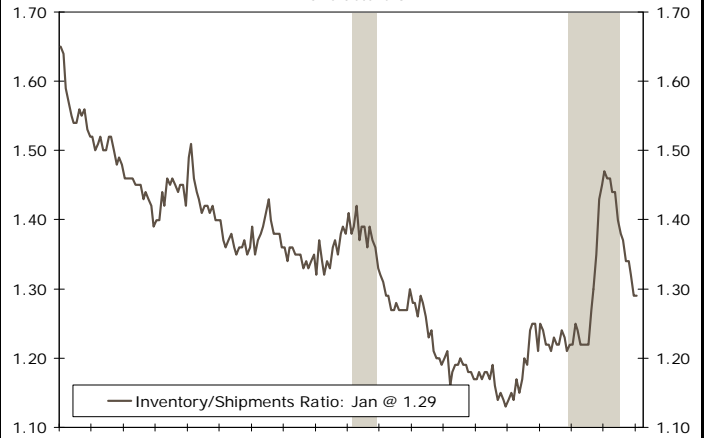
Manufacturers' New Orders

In Billions of Dollars



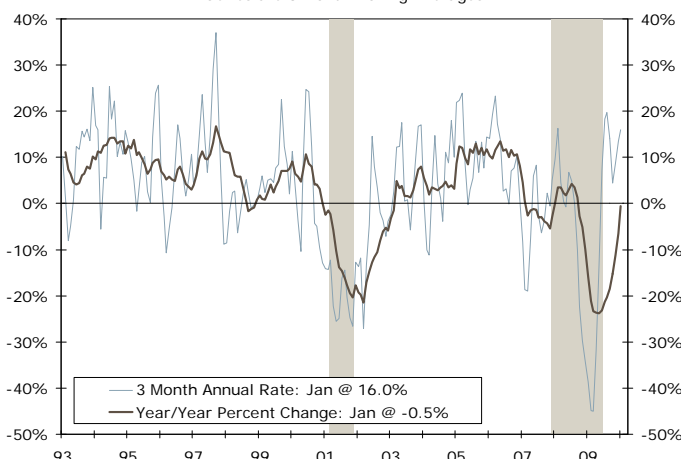
Inventory to Shipments Ratio

Manufacturers



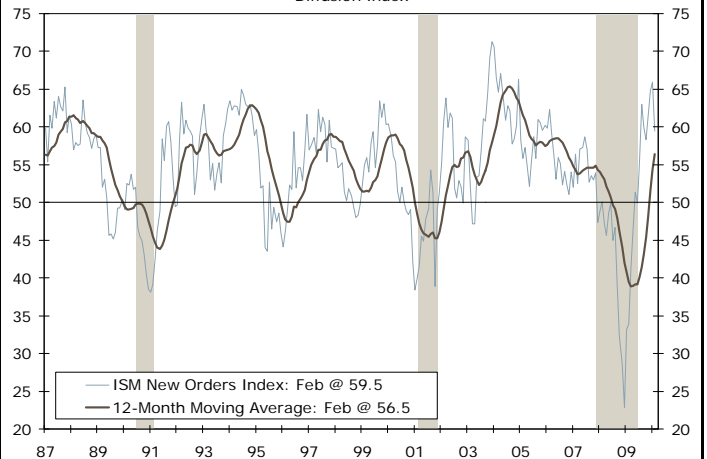
New Orders Non-Defense Capital Goods Ex-Aircraft

Series are 3 Month Moving Averages



ISM New Orders Index

Diffusion Index



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