



Economics Group

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Factory Orders Slip in April After Surge in March

Factory orders shed 1.2 percent in April following an upwardly revised 3.8 percent spike in March. That gain was the largest in seven years, so some pullback is not shocking, but the outlook for May is not looking good.

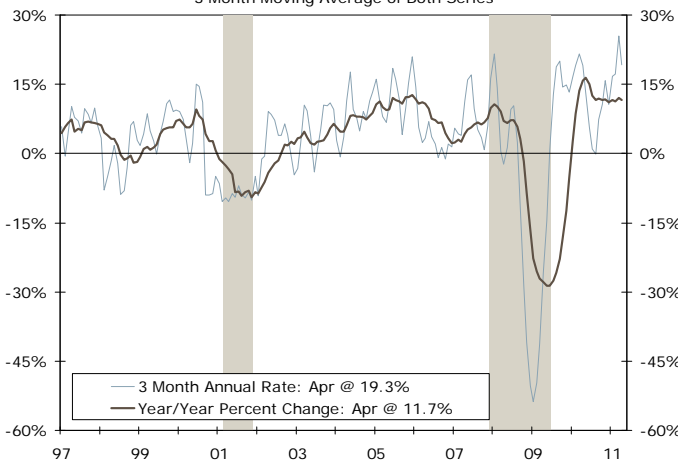
Orders Strength Is in the Rearview Mirror Now

- The pop in orders in March helps keep the 3-month annualized rate for new orders at the fastest pace of growth in years—a gauge that belies the deteriorating momentum in the factory sector at present.
- Perhaps a truer reflection of business spending can be found in the orders for non-defense capital goods, ex-aircraft. This series shed 2.3 percent in April and is clearly trending down.

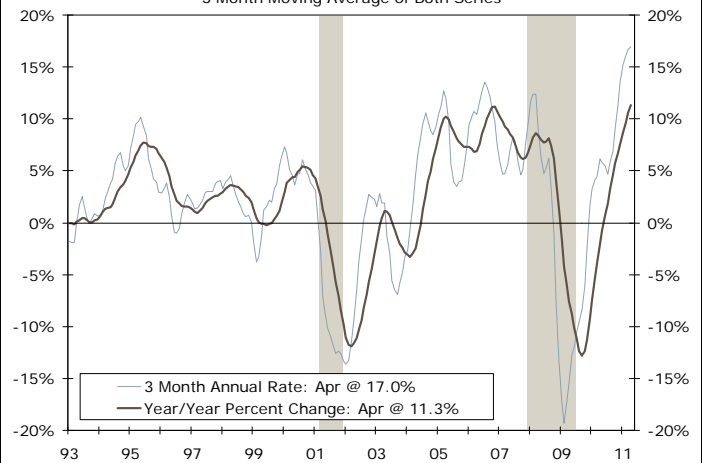
Inventories on the Rise as Orders Are Poised to Slow

- Inventories are beginning to build at a worrying pace. Stockpiles at U.S. firms have increased for 11 straight months. While this partly reflects an improving economy over the last year, the rise in the inventory-to-shipments ratio in April suggests some of the stockpiling is unintended.
- The ISM index yesterday suggested the outlook is darkening for manufacturing as the orders component dropped to 51 from 61.7.

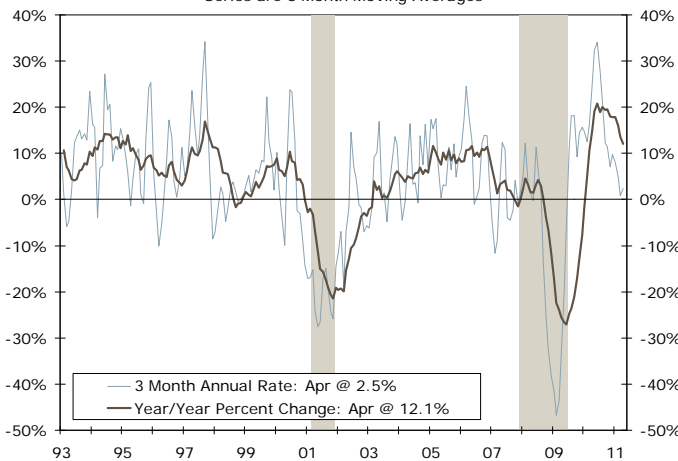
Manufacturers' New Orders
 3 Month Moving Average of Both Series



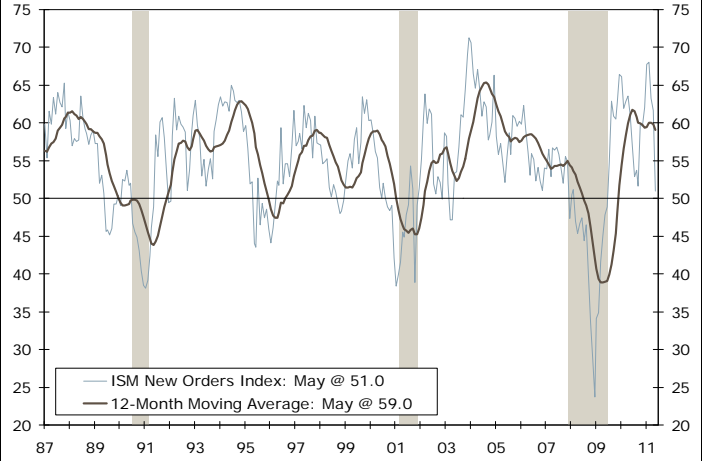
Manufacturers' Inventories
 3 Month Moving Average of Both Series



Non-Defense Capital Goods Orders, Ex-Aircraft
 Series are 3 Month Moving Averages



ISM New Orders Index
 Diffusion Index



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