



Economics Group

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Factory Orders Slip in August

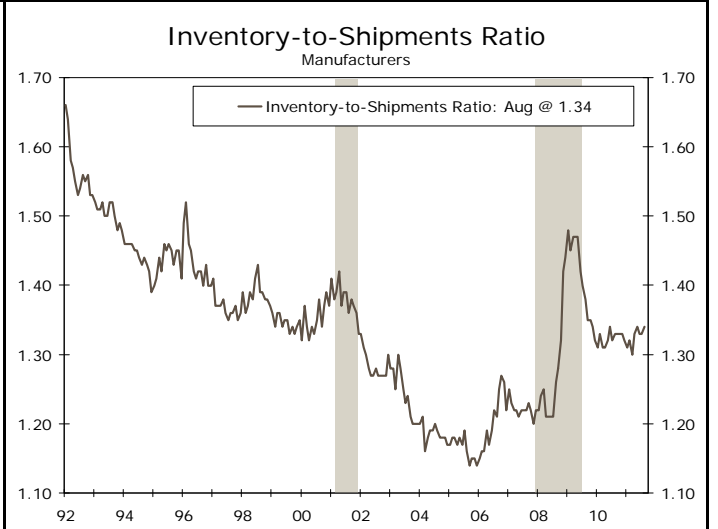
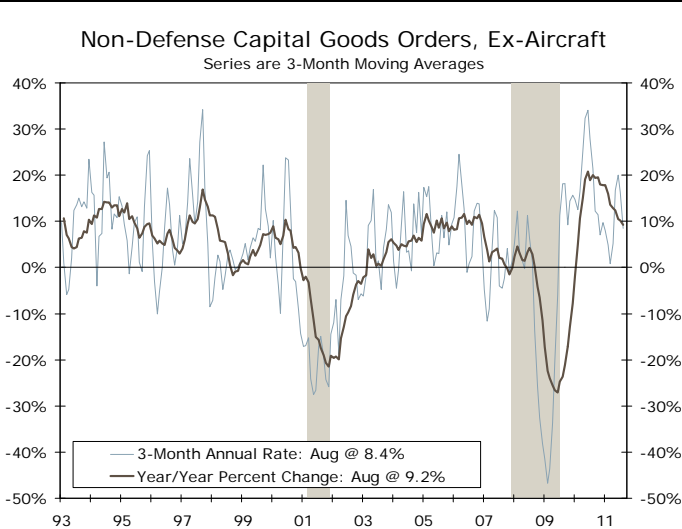
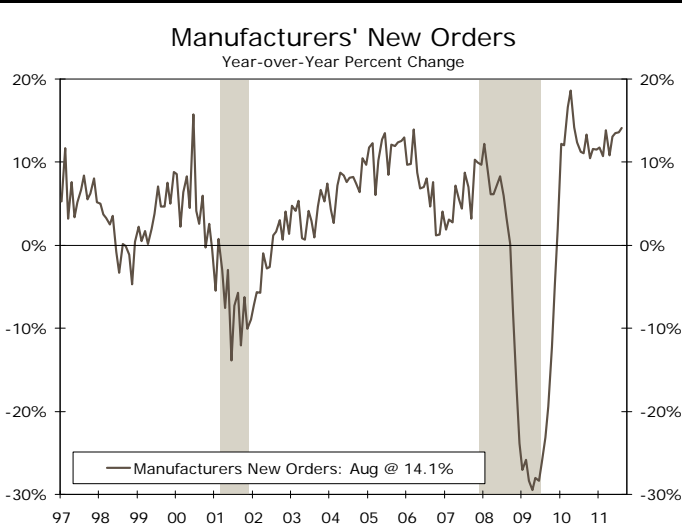
Factory orders fell 0.2 percent in August, which was below expectations. The decline was led by a 4.6 percent drop in transportation. Nondefense capital goods excluding aircraft was revised downward to 0.9 percent.

Looming Slowdown in Business Spending

- Orders at U.S. manufacturers fell 0.2 percent, led by a decline in transportation. Nondefense capital goods ex-aircraft rose 0.9 percent in August, a pullback from the first estimate of 1.1 percent released in the earlier durable goods report. The downward revision continues to highlight a slowdown in business spending in the third quarter. Nondurable goods also showed weakness with a decline of 0.3 percent on the month.

Rocky Road Ahead for the Factory Sector

- Factory inventories rose 0.4 percent, which pushed the inventory-to-shipments ratio up to 1.34. The ratio is still low by historical standards. Moreover, while the headline of the recently released ISM manufacturing report remained above the breakeven level at 51.6, the forward looking new orders component remained below the threshold for the third straight month. This portends a rocky road ahead for the factory sector.



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

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