



# Economics Group

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## Factory Orders Surprise to the Upside in September

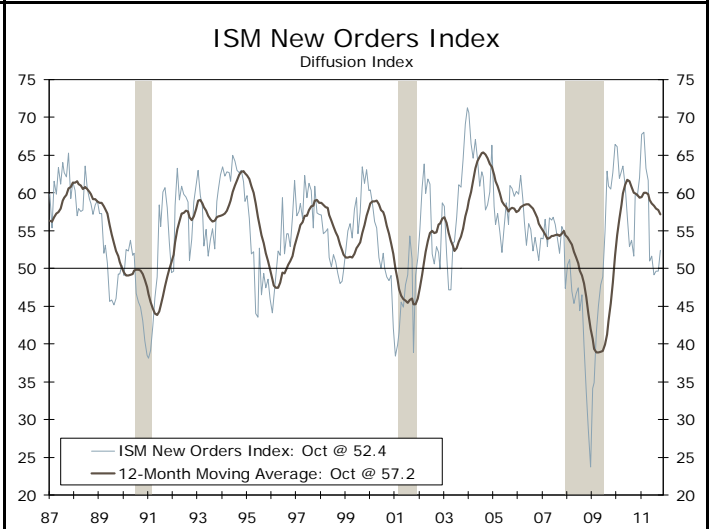
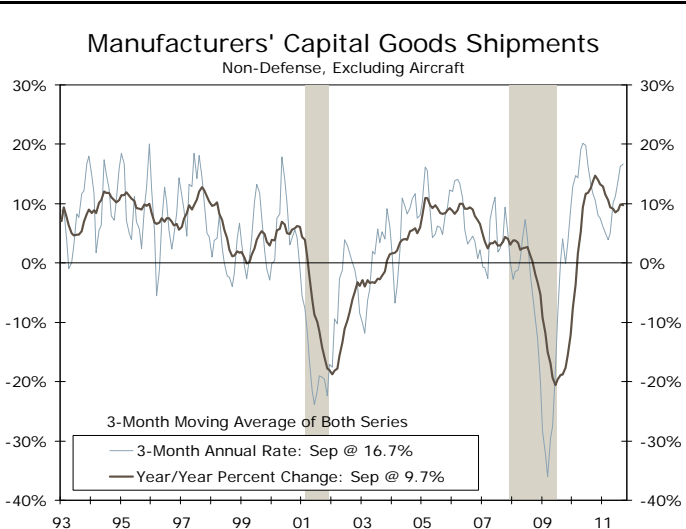
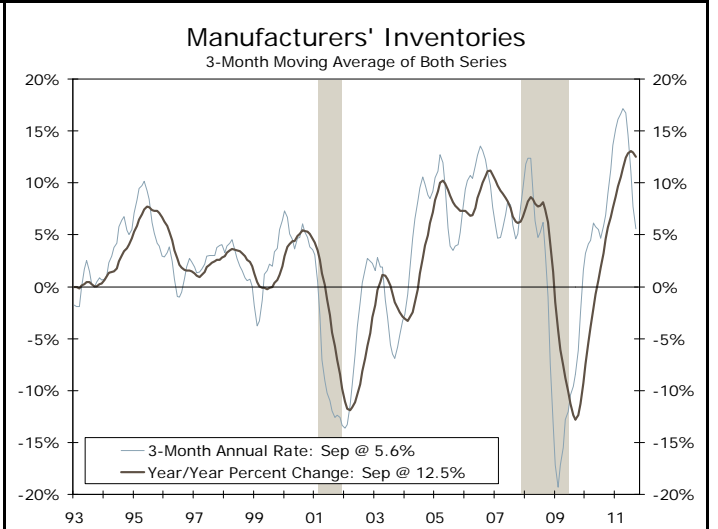
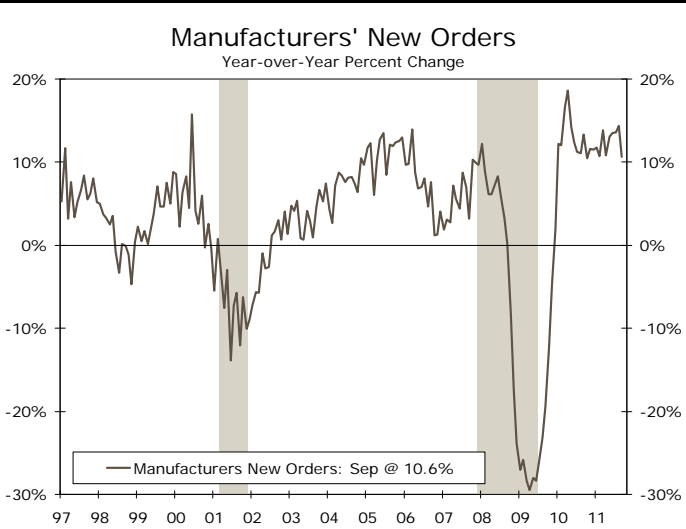
**Factory orders rose 0.3 percent in September following an upwardly revised 0.1 percent increase in August. Nondefense capital goods orders ex-aircraft are now up 10.2 percent on a three-month annualized basis.**

### Factories Continue to Make Progress

- U.S. factories posted a better-than-expected reading, with orders up 0.3 percent in September. Durable goods orders fell 0.6 percent, which was a slight improvement from the earlier released durable goods report. Moreover, nondefense capital goods shipments excluding aircraft increased on a three-month annualized basis to 16.7 percent. The gain continues to suggest further improvement in business fixed investment.

### Brighter Days Expected

- Factory inventories rose 0.1 percent, which left the inventory-to-shipments ratio unchanged for the fourth consecutive month at 1.33. The ratio, however, remains low by historical standards and suggests manufacturers will likely begin to increase stockpiles.
- The previously released ISM manufacturing index also reflected positive forward-looking news with the new orders component returning to expansionary territory at 52.4 in October.



Source: U.S. Department of Commerce, Institute for Supply Management and Wells Fargo Securities, LLC

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