



# Economics Group

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## May Orders and Shipments Point to Improving Factory Sector

*The factory sector looks to have moved through its recent soft patch, with orders up in May for the second consecutive month. Durable goods orders led the charge, but orders for nondurable goods were also stronger.*

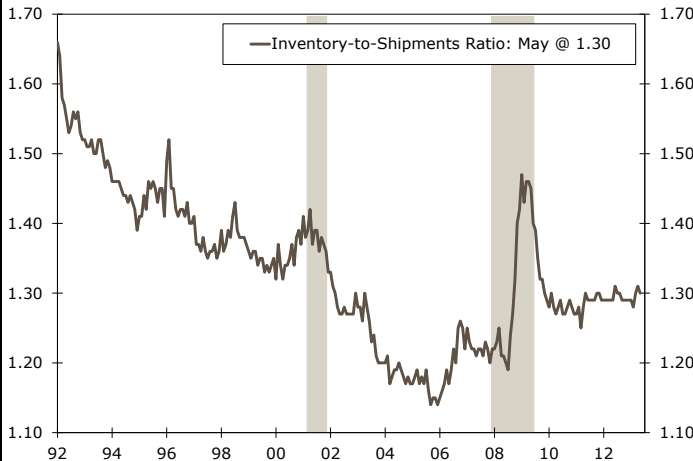
### Orders and Shipments Firm in May

- Factory orders rose 2.1 percent in May following an upwardly revised gain of 1.3 percent in April. Shipments improved 1.0 percent, but manufacturers remain cautious with inventories. Inventories were flat over the month, which brought the inventory-to-shipments ratio down to 1.30.
- Following two months of declines, shipments of nondurable goods rose 0.7 percent in May, boosted by petroleum and coal.

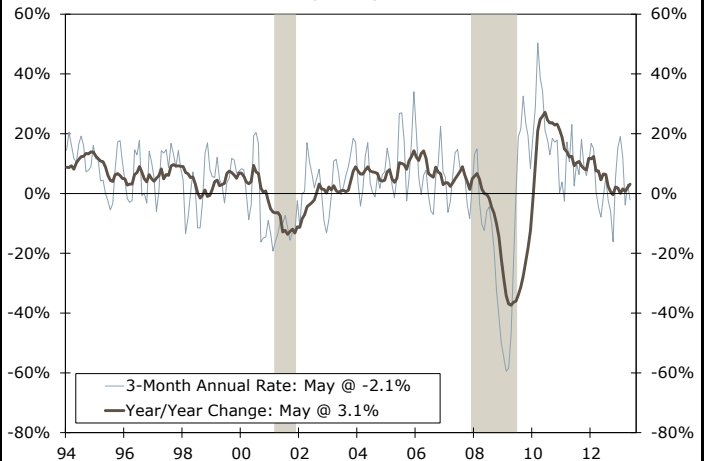
### Factory Sector Set for a Better H2

- Durable goods orders for May were revised a touch higher from the advanced report, led by a stronger gain in core capital goods.
- Today's report, along with slightly better June purchasing managers' indexes, point toward the manufacturing sector having moved through its recent soft patch. We expect activity in the factory sector to gain a bit more momentum in the second half of this year as the broader economy improves further.

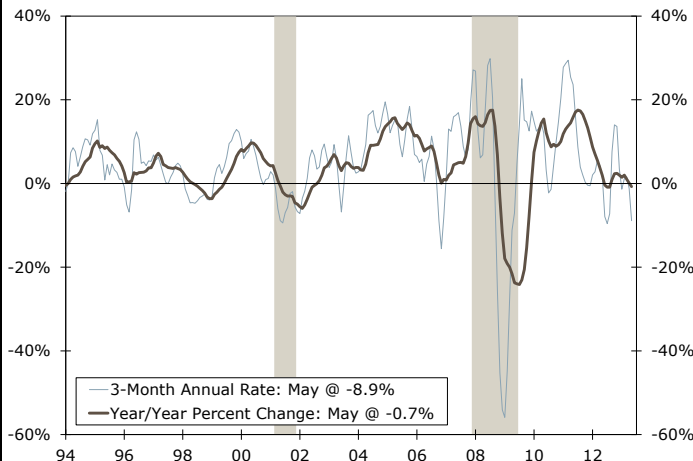
**Inventory-to-Shipments Ratio**  
Manufacturers



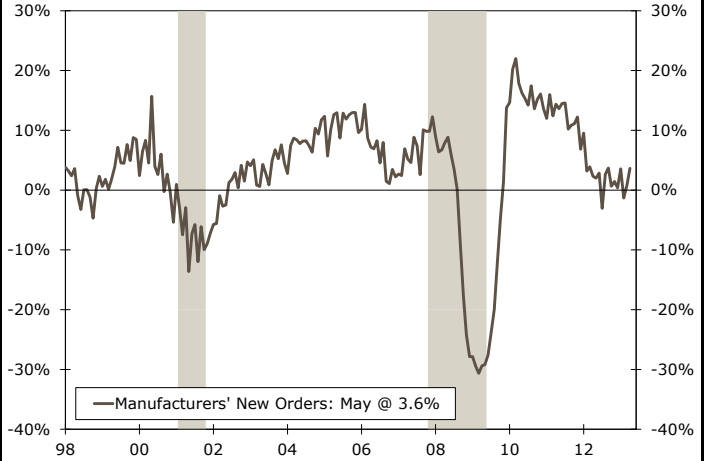
**Manufacturers' New Orders - Durable Goods**  
3-Month Moving Average of Both Series



**Manufacturers' Shipments - Nondurable Goods**  
3-Month Moving Average of Both Series



**Manufacturers' New Orders**  
Year-over-Year Percent Change



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