

## Economics Group

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### Turnaround in Nondurables Buoy December Factory Orders

*As expected, factory orders fell in December on weakness in the durable goods sector. The nondurable segment looked a bit stronger, with shipments rising 1.1 percent after a soft patch this past Fall.*

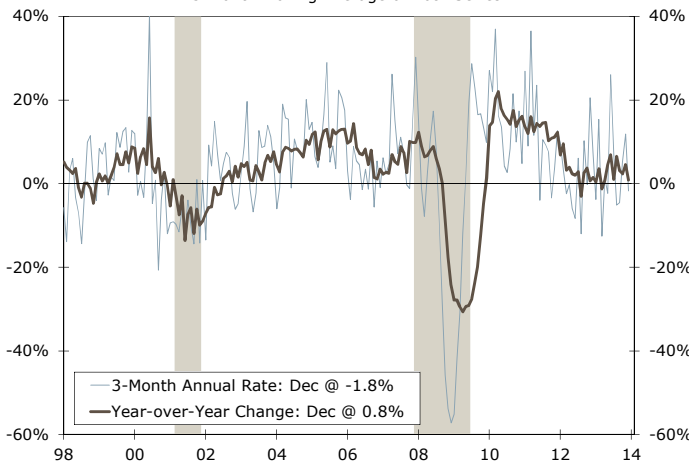
#### Durable Goods Not Quite as Bad as First Reported

- Factory orders in the month of December fell 1.5 percent, reversing a gain of the same magnitude in November. We already knew orders for durable goods plunged in December from the advanced report, but today's report shows slightly less weakness in the underlying trend. Nondefense capital goods orders, ex-aircraft, pulled back 0.6 percent in December, less than half of the decline reported last week.

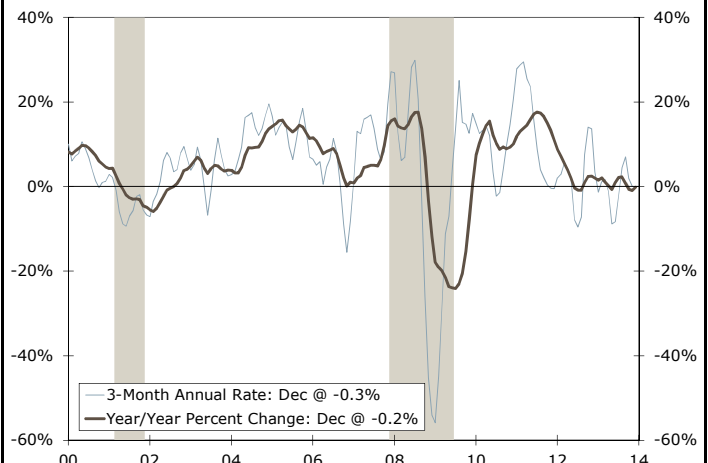
#### Nondurables Offset Some Weakness Seen in Durables

- Nondurable shipments rose 1.1 percent and kept the inventories-to-shipments ratio fairly contained at 1.29.
- Today's report, along with yesterday's ISM manufacturing index, closes the gap between surveys and hard data on the factory sector. While activity does not appear to be as robust as the ISM had been indicating in recent months, growth continues at a moderate pace underscored by the recent trend of core orders.

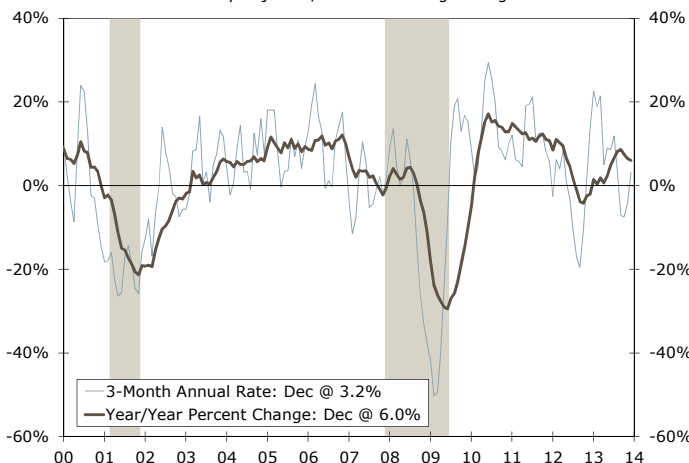
Manufacturers' New Orders  
 3-Month Moving Average of Both Series



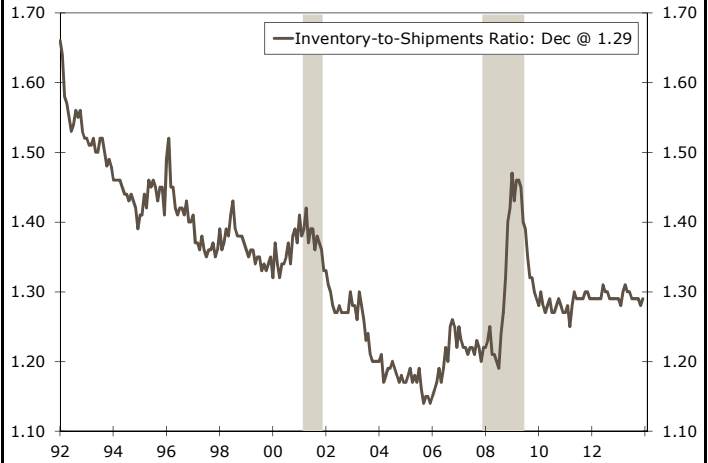
Manufacturers' Shipments - Nondurables  
 3-Month Moving Average of Both Series



Nondefense Capital Goods Orders, Ex-Aircraft  
 Seasonally Adjusted, 3-Month Moving Averages



Inventory-to-Shipments Ratio  
 Manufacturers



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

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