



Economics Group

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Factory Orders End Q3 on a Soft Note

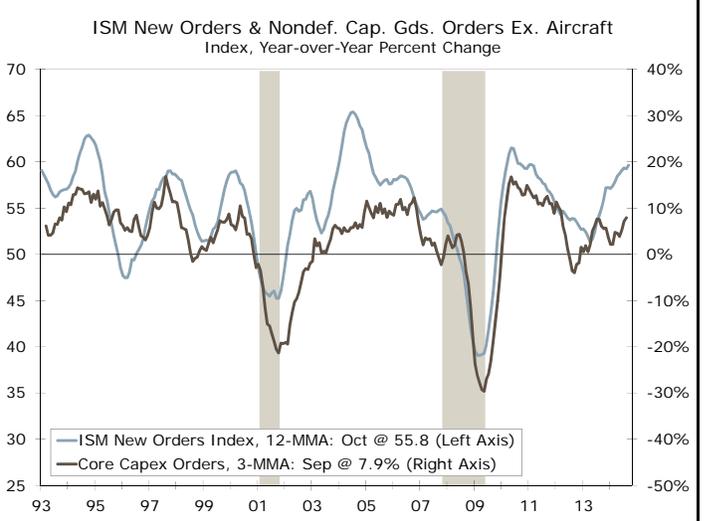
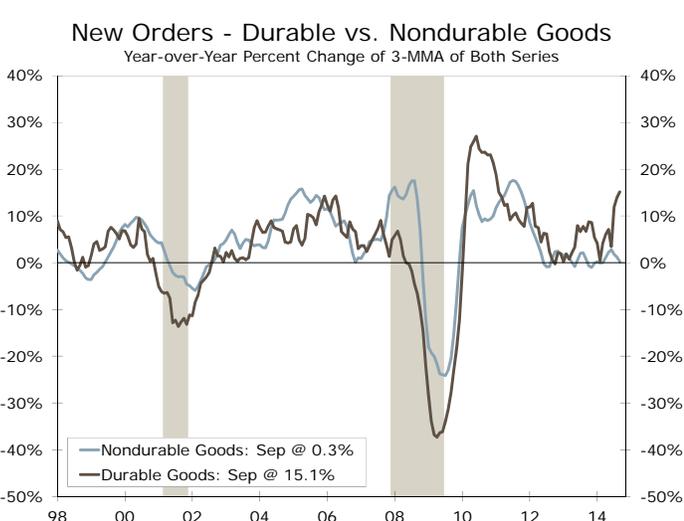
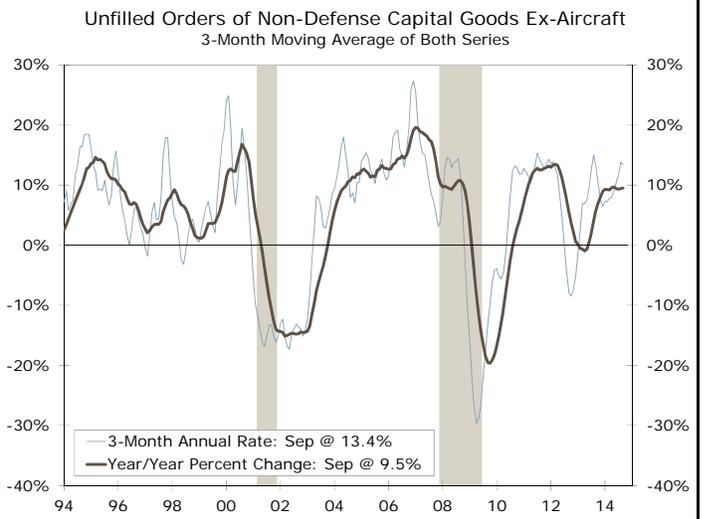
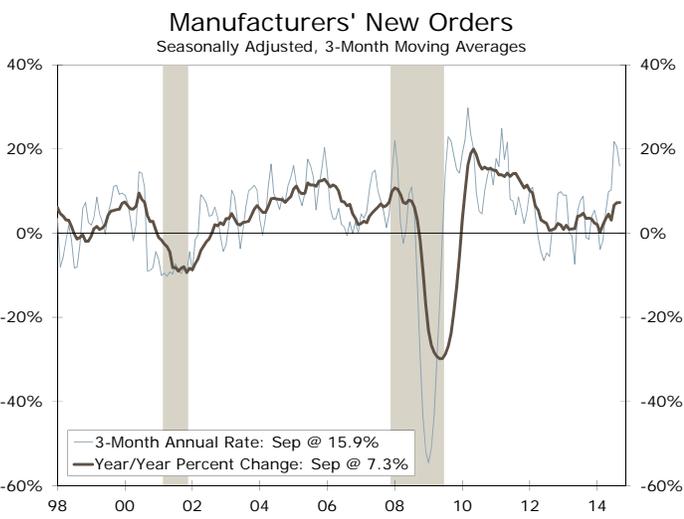
Factory orders fell 0.6 percent in September as orders for durables declined and nondurables were flat. Growing backlogs and strong October PMIs readings, however, suggest no need for alarm.

Factory Orders Move Lower on a Drop in Durables

- Factory orders fell 0.6 percent in September, and on the surface suggest some caution about the underlying trend in manufacturing, following some wild swings this summer. However, even after falling the past two months, factory orders are growing at a three-month average annual rate of 15.9 percent. As expected, softness in durable goods weighed on total orders, but nondurable goods orders were flat.

Unfilled Orders Continue to Edge Higher

- Strong orders in recent months have buoyed manufacturers' backlogs. Unfilled orders for core capital goods rose 0.5 percent in September and are up 9.5 percent from a year ago, which should support shipments in the coming months.
- Beyond recent months' volatility, activity in the factory sector should remain strong. The ISM new orders index sits near post-recession highs and suggests a further pick up in core orders.



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

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