



Economics Group

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Factory Orders Highlights Concerns for Q2 Business Spending

Factory orders fell 1.0 percent in May, a slightly larger drop than expected. May core capital goods orders were revised from a gain of 0.4 percent from last week's durables report to a decline of 0.4 percent.

Revisions Take Away Scant Gains

- In an environment of falling prices and scaled back spending on anything related to crude oil, it has been an uphill battle for the manufacturing sector. Factory orders have fallen nine out the past 10 months. There is no talking your way out of that.
- One major takeaway from this report is that core capital goods orders went from a positive 0.4 percent change in May to a negative 0.4 percent change.

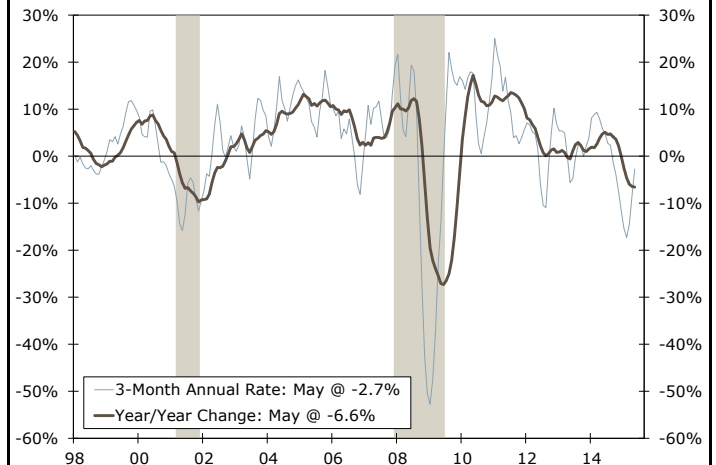
Weak Core Capital Goods Shipments Bad for Q2 GDP

- We already knew from the durable goods report that civilian aircraft orders dropped 35.3 percent in May. We learned today that even when you strip away the volatile transportation sector orders increased just 0.1 percent.
- Shipments of core capital goods fell 0.1 percent in May, bringing the 3-month annualized figure to negative 2.8 percent, which raises concerns about business spending in the second quarter.

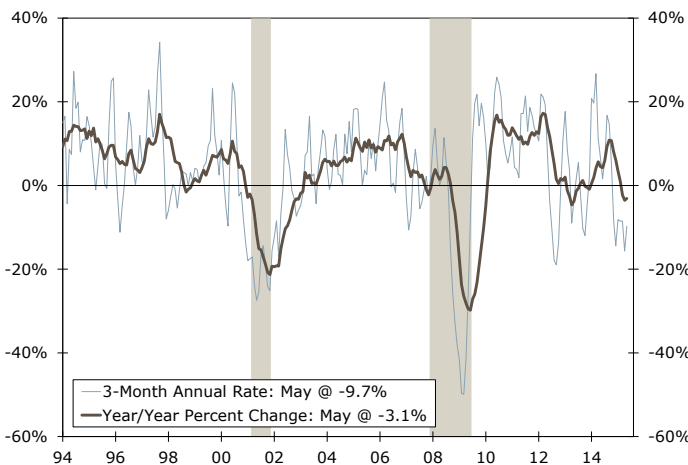
Manufacturers' New Orders
Year-over-Year Percent Change



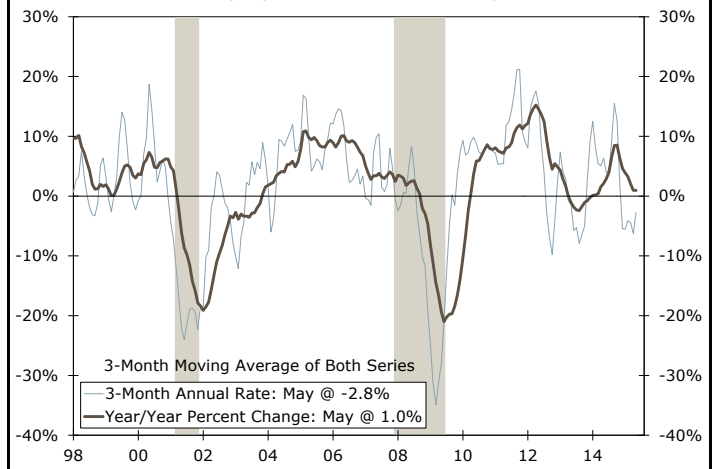
Manufacturers' New Orders - Ex-Transportation
3-Month Moving Average of Both Series



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



Manufacturers' Capital Goods Shipments
Seasonally Adjusted, Nondefense, Excluding Aircraft



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