

U.S. Data Review

- Factory orders: constrained by volatile areas in May

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Factory Orders

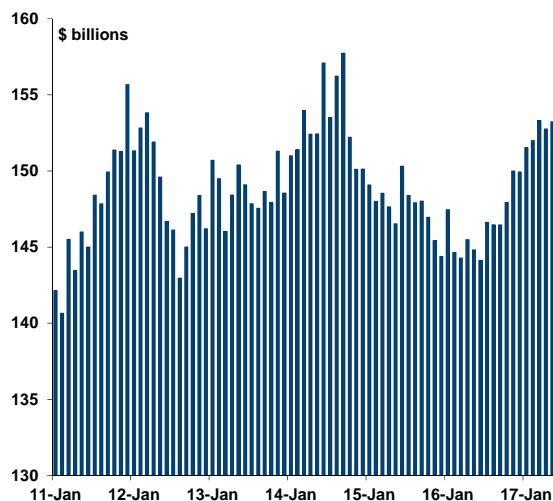
Total orders in the manufacturing sector fell 0.8 percent in May, slightly softer than the expected decline of 0.5 percent. Both the durable and nondurable components contributed equally, with each retreating by the same amount as the headline figure.

The decline of 0.8 percent in the durable component was revised up from the preliminary estimate of -1.1 percent published on June 26, with several industries contributing to the adjustment. Most of the decline in durable bookings was the result of a drop in the volatile aircraft category, with both defense and commercial aircraft orders falling. Excluding transportation, durable orders rose 0.3 percent (revised from 0.1 percent). This increase only partially offset a decline of 0.4 percent in the prior month, but gains in late 2016 and in the first quarter were solid, and thus the small moves in the past two months did only minor damage to what appears to be a developing upward trend (chart, left). Orders for nondefense capital goods other than aircraft contributed to the upward revision in May (+0.2 percent rather than -0.2 percent), which gave a hint of an upward drift to this series in the past few months rather than a flat performance.

The drop of 3.2 percent in orders for petroleum and coal products led the retreat in the nondurable area, and most of this shift was probably the result of lower prices. Orders ex-petroleum and coal fell 0.2 percent, but such bookings had increased in the prior three months and in five of the prior six. The modest decline in May had a small effect on the upward tilt in this series (chart, right).

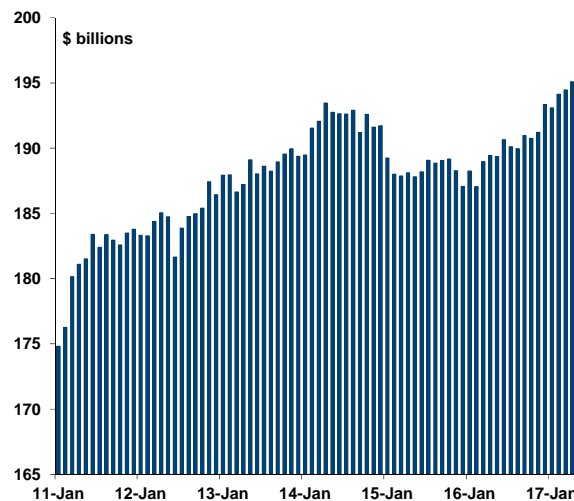
All told, this report carried a soft tone, but much of the weakness was concentrated in volatile areas. Other sectors also were unimpressive on a month-to-month basis, but the latest results followed good gains in prior months and underlying trends can still be described as upward.

Durable Goods Orders Ex. Transportation



Source: U.S. Census Bureau

Nondurable Goods Orders Ex. Petrol & Coal



Source: U.S. Census Bureau

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