

U.S. Data Review

- Factory orders: noise in transportation and petroleum; a wiggle upward in nondurables ex-petroleum

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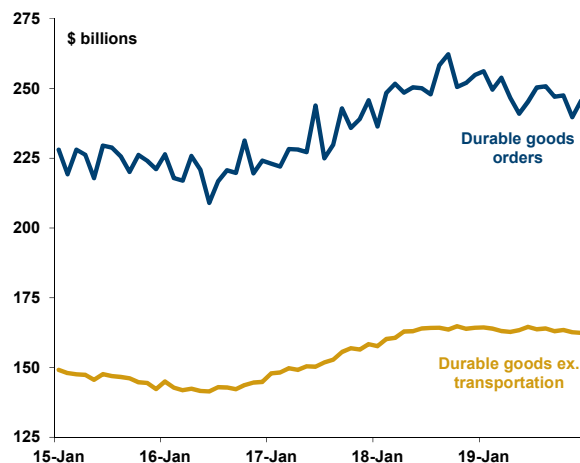
Factory Orders

Factory orders rose 1.8 percent in December, firmer than the expected increase of 1.2 percent. The already published increase in orders for durable goods was largely unrevised at 2.4 percent (offsetting tweaks in various sectors); the surprise occurred in orders for nondurable goods, where the increase of 1.1 percent exceeded the expectation of approximately no change.

The surprising increase in the nondurable area, however, was not especially encouraging, as it occurred from a downward revised reading (November level was 0.5 percent lower than previously believed). In addition, much of the growth in December occurred in the petroleum and coal category, where the increase of 4.5 percent was most likely influenced by higher prices. Excluding petroleum and coal, orders for nondurable goods rose 0.2 percent. An increase is certainly welcome, but the modest advance after a net decline in the prior three months did little to alter the recent pattern of sluggish results. Nondurable orders ex-petroleum and coal remained below the recent peak in August. After rallying from April to August last year, nondurable orders ex-petrol have essentially stalled (chart, right).

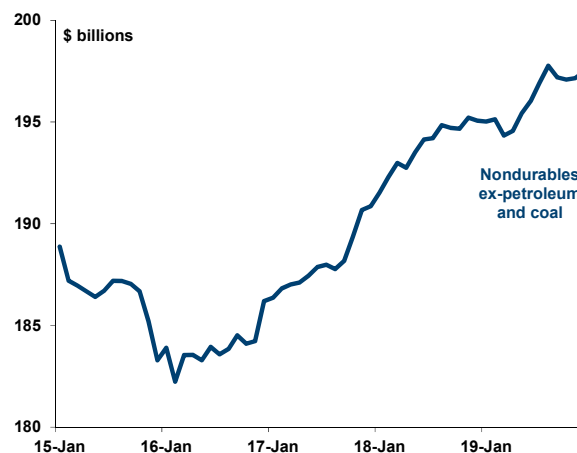
The sizeable increase in orders for durable goods was concentrated in the transportation category, fueled by surges in defense-related aircraft and miscellaneous transportation items. The detail in today's report showed the surge in miscellaneous items reflected a burst in bookings for ships and boats, where spikes occur from time to time. Ex-transportation, durable orders fell 0.1 percent, continuing the flat to downward drift that has been evident throughout 2019 (chart, left). New orders for nondefense capital goods excluding aircraft, a series that provides insight into capital spending by businesses, fell 0.8 percent (revised from -0.9 percent), and like durable orders ex-transportation, has been drifting lower in the past year or so.

Manufacturers' New Orders



Source: U.S. Census Bureau via Haver Analytics

Manufacturers' New Orders



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