



Economics Group

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Details of May Durable Goods Orders Disappoint

New orders for manufactured goods decreased 1.1 percent in May following a 0.9 percent decrease in April. Recent softness in orders suggests that the early year surge is fading and that the factory sector will slow.

Orders and Inventories

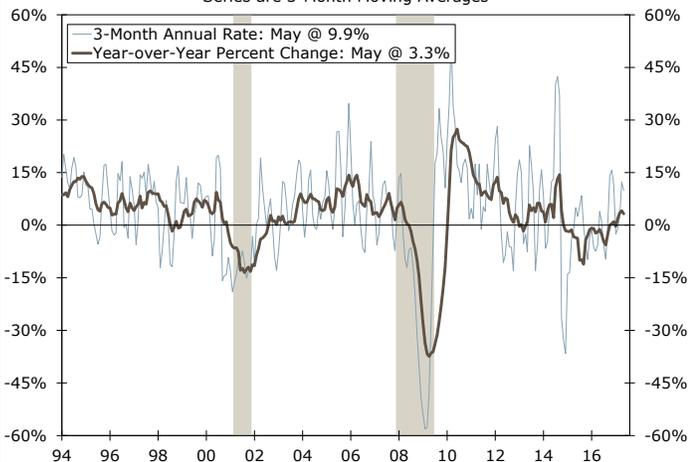
- New orders fell 1.1 percent in May, a larger contraction than the consensus forecast. Excluding defense, new orders decreased 0.6 percent. Transportation, also down two consecutive quarters, drove the decrease, falling 3.4 percent.
- Inventories increased 0.2 percent in May, and are now up 10 of the last 11 months, suggesting that manufacturers are having trouble adjusting to the weaker pace of orders.

Core Capital Goods Orders and Shipments

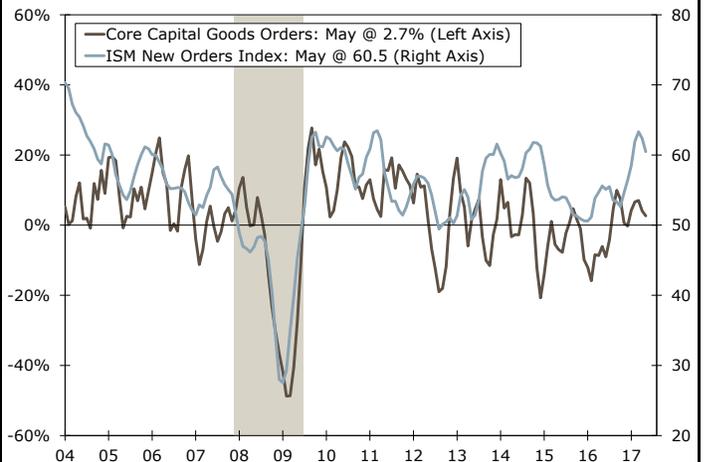
- Nondefense capital goods orders ex-aircraft, a key benchmark for future business spending, decreased 0.2 percent. The gap between the survey data, like the ISM regional surveys, and the relatively weak numbers for core capital spending, remains wide.
- Following two consecutive monthly decreases, shipments increased 0.8 percent. However, they are unlikely to gain much traction moving forward given the weak order detail in May.

Durable Goods New Orders

Series are 3-Month Moving Averages



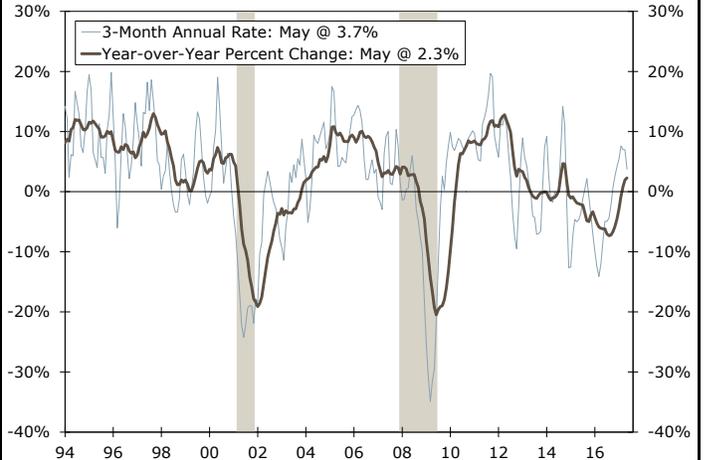
Nondef. Cap Gds. Orders Ex-Aircraft vs. ISM New Orders
 3-M Annualized Rate, Index; Both Series are 3-MMA



Durable Goods Inventories-to-Shipments Ratio



Nondefense Capital Goods Shipments, Ex-Aircraft
 Series are 3-Month Moving Averages



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

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