

## Economics Group

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## Soft Factory Orders Report Hides Firming in the Sector

**Overall factory orders slipped 2.4 percent in November largely due to an already-reported drop in aircraft orders. Missed in the headline are indications of firming in the manufacturing sector.**

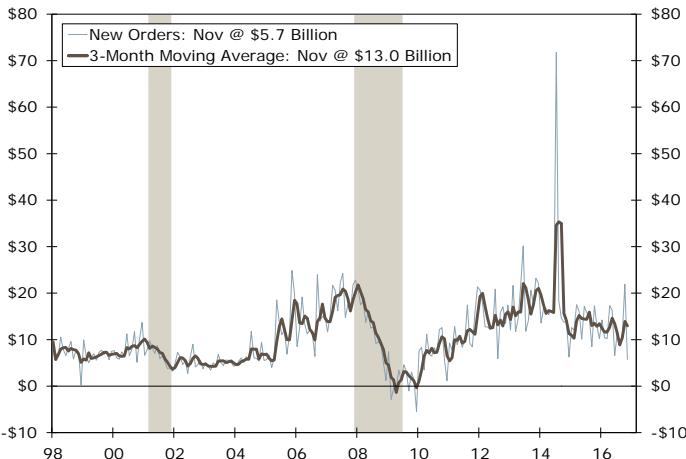
### More or Less in Line with Expectations

- The 2.4 percent decline in factory orders was just a shade weaker than the 2.3 percent decline that had been expected. The already-reported drop in durable goods orders was slightly revised to a loss of 4.5 percent versus 4.6 percent previously.
- A firming in nondurables orders offset the declines on the durables side. Notably, the durables ex-transportation was revised to a slightly larger gain.

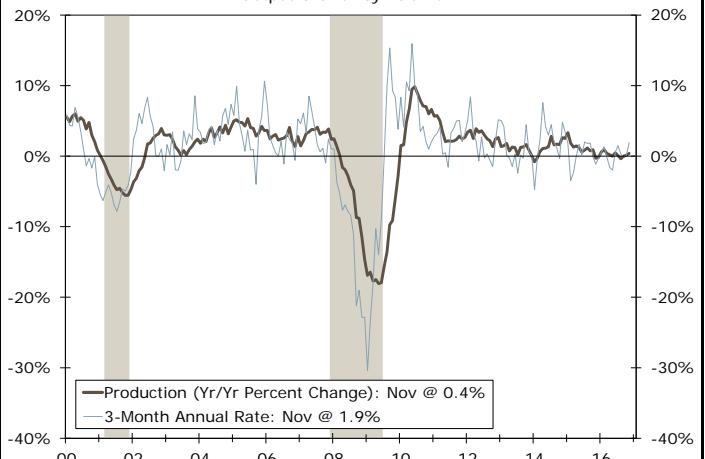
### Hey Ref, You're Missing a Great Ballgame

- After a couple of difficult years for the sector, there are early signs of improvement in manufacturing. Factory production has increased in two out of the past three months.
- The firming in oil prices and a brightening outlook for the global economy has injected some of the confidence into the sector with the ISM index in expansion territory for four months, climbing higher each time and reaching a two-year high in December.

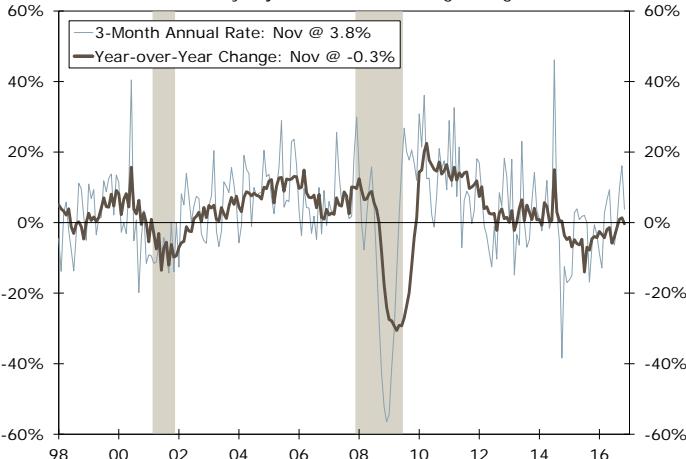
#### New Orders of Non-Defense Aircraft In Billions of Dollars



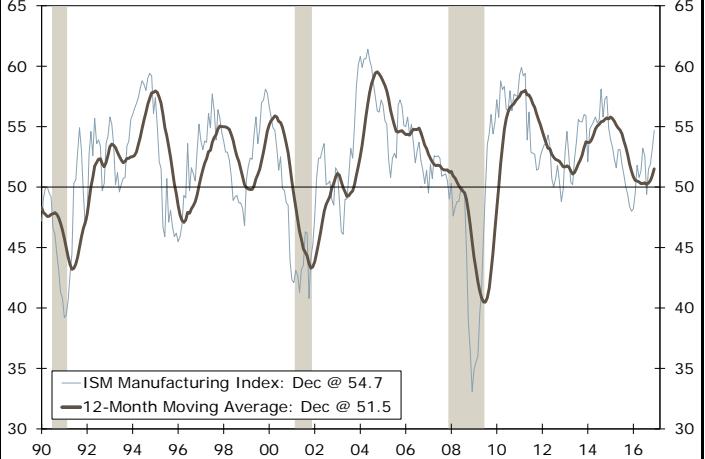
#### Manufacturing Production Growth Output Growth by Volume



#### Manufacturers' New Orders Seasonally Adjusted, 3-Month Moving Averages



#### ISM Manufacturing Composite Index Diffusion Index



Source: U.S. Department of Commerce, Institute for Supply Management and Wells Fargo Securities

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