

Economics Group

Tim Quinlan, Senior Economist
tim.quinlan@wellsfargo.com • (704) 410-3283
Michael Pugliese, Economic Analyst
michael.d.pugliese@wellsfargo.com • (704) 410-3156

Factory Orders Climb Higher in January

Factory orders rose 1.2 percent to start 2017. On balance, the hard data in the manufacturing sector continue to show improvement, although the pace has been slower than sentiment indicators alone would indicate.

Factory Sector Firming

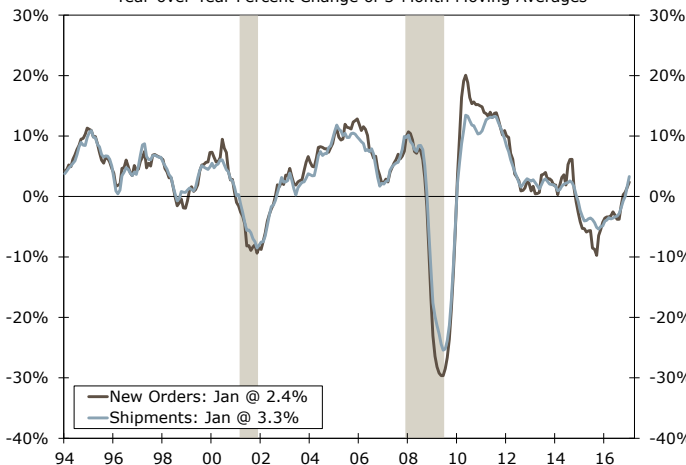
- Factory orders rose 1.2 percent in January, boosted by sizable jumps in the notoriously volatile aircraft components for both defense and nondefense.
- Nondurable shipments rose 0.4 percent, led by growth in textile mills, apparel and petroleum and coal products. Input price pressures are building in the factory sector and have likely helped boost growth in this nominally reported indicator.

Core Orders Signal Stronger Business Investment

- Core capital goods orders fell 0.1 percent, a smaller decline than indicated in the advanced report, but this improvement was largely offset by downward revisions to December's reading.
- Through the monthly volatility, core capital goods orders are up 8.7 percent on a three-month average annualized basis. This is the fastest pace since 2014 and corroborates some of the rising sentiment seen in other indicators, such as ISM and NFIB.

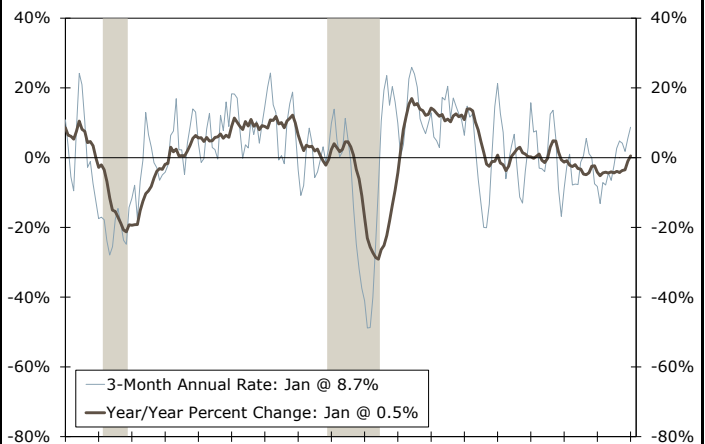
Manufacturers' Orders and Shipments

Year-over-Year Percent Change of 3-Month Moving Averages



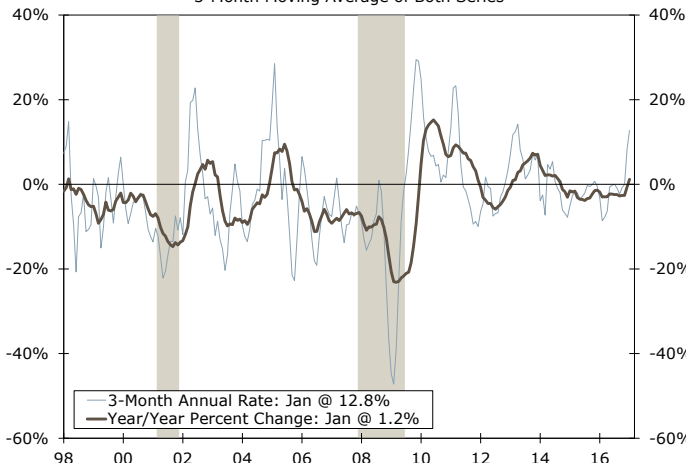
Core Capital Goods Orders

SA, Nondefense, Excluding Aircraft, 3-Month Moving Averages



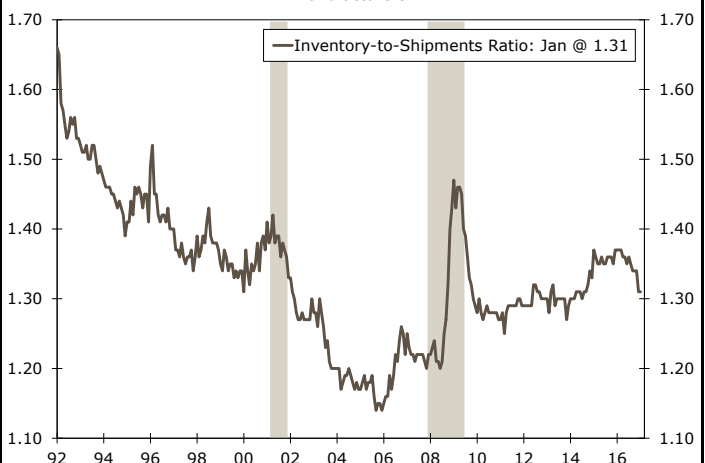
Manufacturers' Shipments - Textile Mills

3-Month Moving Average of Both Series



Inventory-to-Shipments Ratio

Manufacturers



Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Anika R. Khan	Senior Economist	(212) 214-8543	anika.khan@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloría@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Analyst	(212) 214-5652	erik.f.nelson@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Julianne Causey	Economic Analyst	(704) 410-3281	julianne.causey@wellsfargo.com
E. Harry Pershing	Economic Analyst	(704) 410-3034	edward.h.pershing@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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