

Factory Orders Continued to Recover in May

The freefall in factory orders that began late last summer finally appears to be moderating. Orders at U.S. manufacturers increased in May—the third increase in four months. While this is a welcome sign of strength in a troubled sector, it will be years before orders return to pre-crash levels. But the worst of the declines are behind us.

Welcome Back to 2004

- The back-to-back monthly gains in factory orders signals the worst of the storm has passed for U.S. manufacturers. That said, on an absolute basis, we are at levels last seen in 2004. With the slow recovery we expect for the overall economy, it will take years for orders to return to pre-crash levels.
- Non-defense capital goods orders ex-aircraft were revised slightly lower, but still suggest spending is picking up.

Pace of Declines Slowing for Unfilled Orders

- Unfilled orders were falling off a cliff just a few months ago, but the drop seems to be leveling off as unfilled orders fell at the slowest pace since last September, dropping just 0.2 percent in May. Manufacturers have clearly used this slow period to catch up on any work they had in the pipeline.
- The turnaround in capital goods orders is encouraging, and shipments for this sector are beginning to turn as well.

