



# Economics Group

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## Factory Orders Weakness Continues

*The roughest edges of last week's durable goods report were sanded down a bit, but the read on the factory sector is still firmly negative. Core capital shipments were up in December, but orders are falling off sharply.*

### Slight Improvement but Big Challenges Remain

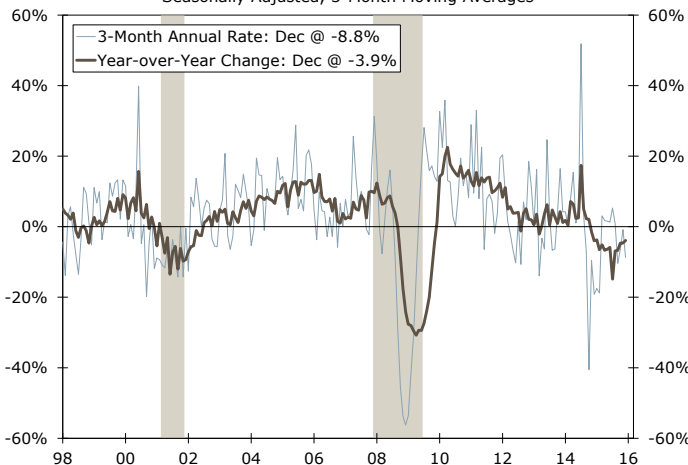
- Today's report on December factory orders does not offer much new information. The durable goods figures reported last week were revised to slightly smaller declines.
- Shipments of core capital goods, a proxy for business spending, were revised to a gain of 0.2 percent from a 0.2 percent loss previously. This may mean the next estimate of GDP will show a smaller decline in Q4 equipment spending.

### Core Capital Goods Orders Look Weak

- Core capital goods orders, which lead shipments, offer a read on future capex plans. This measure dipped 4.3 percent on the month and is also falling on a three-month annualized basis.
- The new data in today's report are that nondurable goods orders fell 0.8 percent. These orders are particularly vulnerable to price swings and given the fact that oil and other commodities traded lower in the month, there is little surprise here.

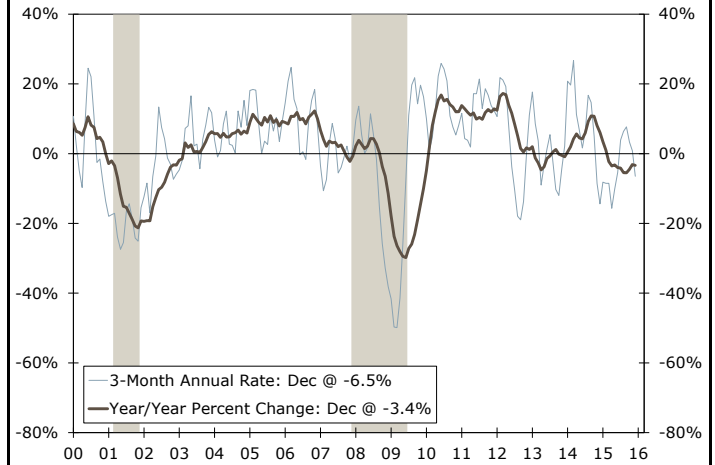
**Manufacturers' New Orders**

Seasonally Adjusted, 3-Month Moving Averages



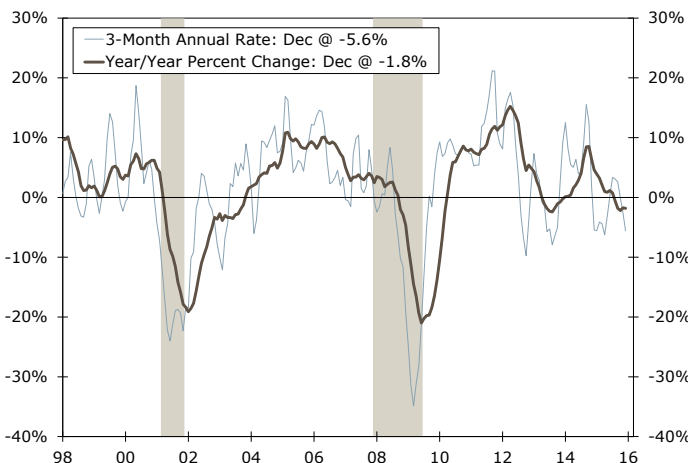
**Nondefense Capital Goods Orders, Ex-Aircraft**

Seasonally Adjusted, 3-Month Moving Averages



**Core Capital Goods Shipments**

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



**Share of Manufacturers' New Orders**

3-Month Moving Averages



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