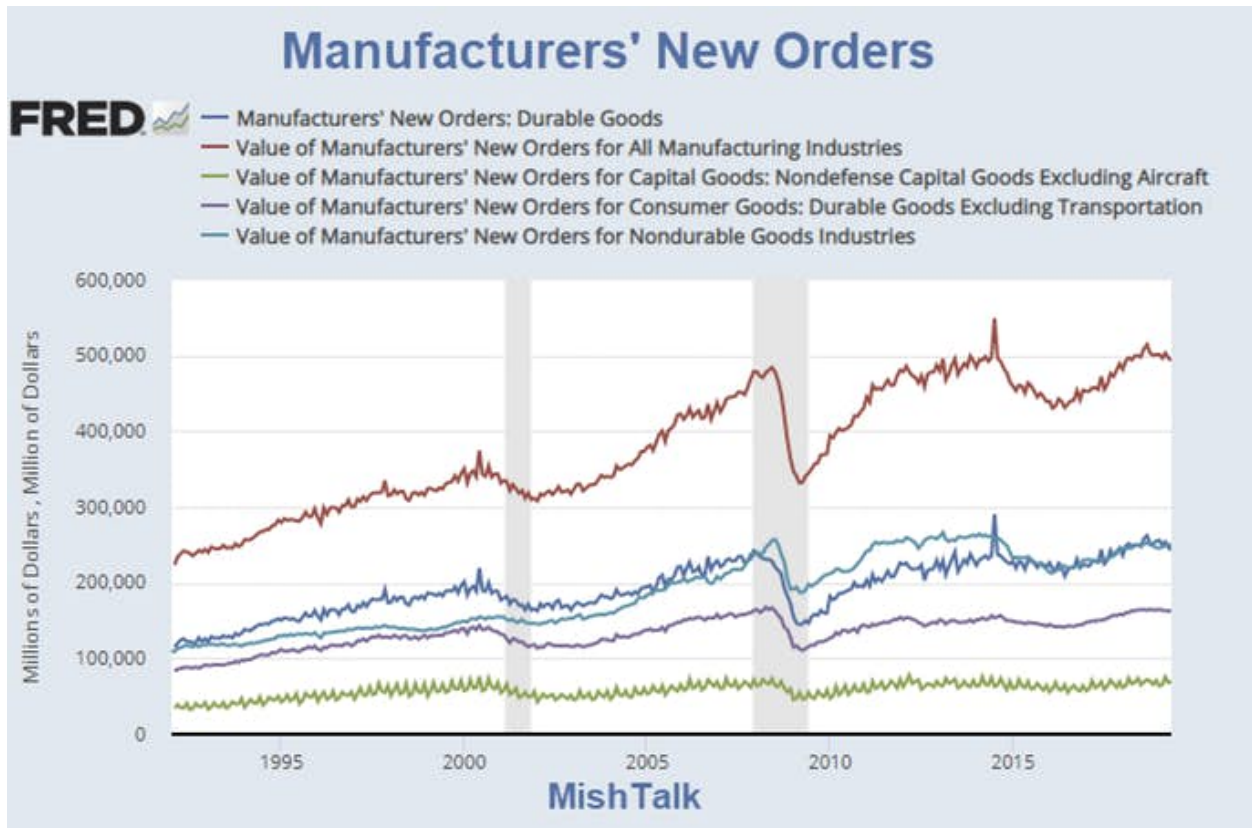


The Manufacturing Sector is Rolling Over But Inventories Keep Piling Up

Factory new orders are down year-over-year and barely afloat excluding transportation. Inventories are a concern.



The monthly report on [Manufacturers' Shipments, Inventories and Orders](#), shows strong signs of a manufacturing sector that has peaked.

New Orders

New orders for manufactured durable goods in May, down *three of the last four months*, decreased \$3.1 billion or 1.3 percent to \$243.5 billion, unchanged from the previously published decrease. This followed a 2.8 percent April decrease. Transportation equipment, also down three of the last four months, drove the decrease, \$3.8 billion or 4.6 percent to \$80.0 billion. New orders for manufactured nondurable goods decreased \$0.5 billion or 0.2 percent to \$250.1 billion.

Shipments

Shipments of manufactured durable goods in May, up following two consecutive monthly decreases, increased \$0.9 billion or 0.3 percent to \$254.2 billion, down from the previously published 0.4 percent increase. This followed a 1.6 percent April decrease. Machinery, up four of the last five months, led the increase, \$0.3 billion or 1.0 percent to \$33.4 billion. Shipments of manufactured nondurable goods, down following three consecutive monthly increases, decreased

\$0.5 billion or 0.2 percent to \$250.1 billion. This followed a 0.4 percent April increase. Petroleum and coal products, also down following three consecutive monthly increases, drove the decrease, \$1.3 billion or 2.4 percent to \$54.7 billion.

Unfilled Orders

Unfilled orders for manufactured durable goods in May, *down three of the last four months*, decreased \$6.3 billion or 0.5 percent to \$1,171.1 billion, unchanged from the previously published decrease. This followed a 0.2 percent April decrease. Transportation equipment, also down three of the last four months, led the decrease, \$5.7 billion or 0.7 percent to \$803.7 billion.

Inventories

Inventories of manufactured durable goods in May, up ten of the last eleven months, increased \$2.0 billion or 0.5 percent to \$424.6 billion, unchanged from the previously published increase. This followed a 0.4 percent April increase. Transportation equipment, also up ten of the last eleven months, drove the increase, \$2.2 billion or 1.6 percent to \$138.5 billion. Inventories of manufactured nondurable goods, down two consecutive months, decreased \$0.6 billion or 0.2 percent to \$269.6 billion. This followed a 0.1 percent April decrease. Petroleum and coal products, down following four consecutive monthly increases, drove the decrease, \$0.6 billion or 1.5 percent to \$41.3 billion.

Core Capital Goods

[Econoday](#) finds some good news in the report: "Now the good news and that's core capital goods orders (nondefense ex-air) which rose 0.5 percent for a 1 tenth upward revision from the advance reading. The Federal Reserve is focused on questions over the strength of business spending and this result should ease their immediate concerns."

I used to follow that line item closely, but it is way over-rated.

The theory behind core capital good is that it is a measure of business investment and thus a leading indicator of future production.

Note the line in green in the above chart. Month-to-month fluctuations are totally random, even seasonally adjusted. In the Great Recession, that item did not turn lower until the recession was half over.

Year-Over-Year Chart

Manufacturers' New Orders



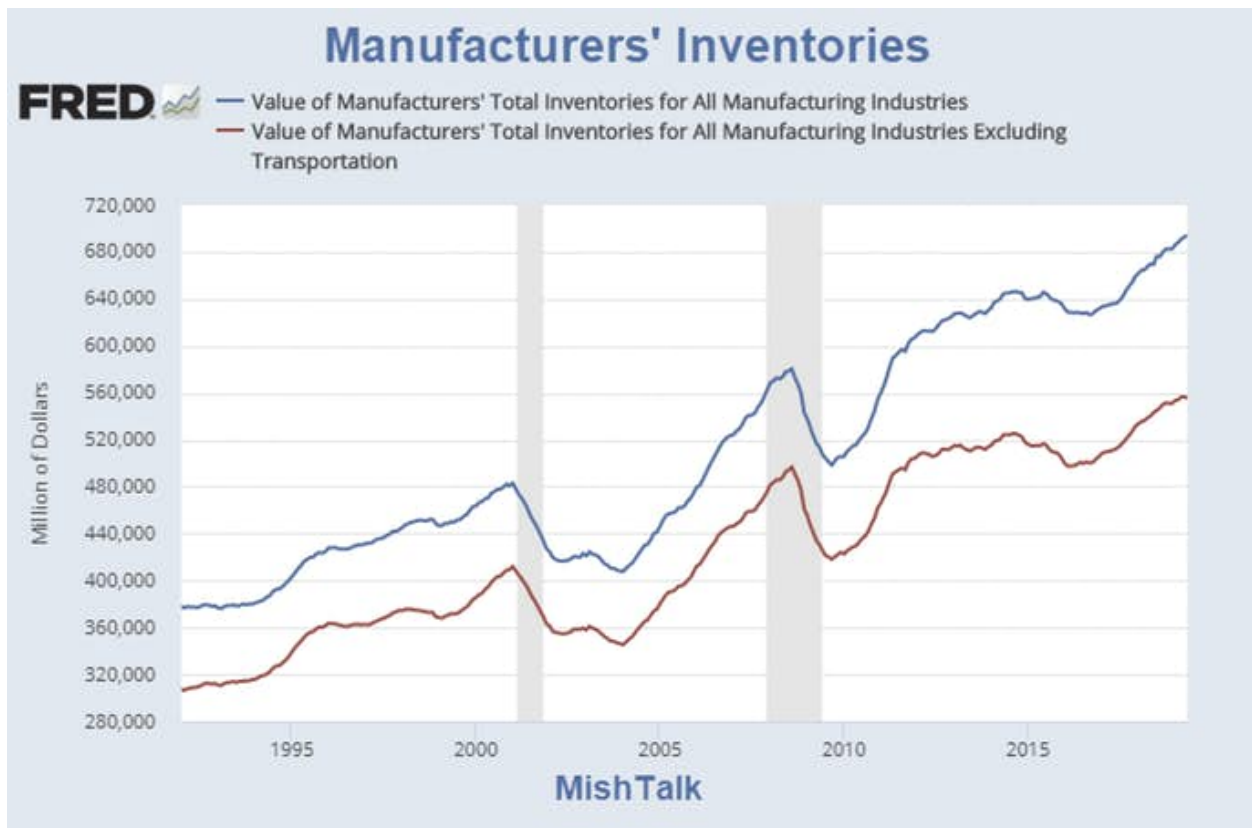
- Manufacturers' New Orders: Durable Goods
- Value of Manufacturers' New Orders for All Manufacturing Industries
- Value of Manufacturers' New Orders for Capital Goods: Nondefense Capital Goods Excluding Aircraft
- Value of Manufacturers' New Orders for Consumer Goods: Durable Goods Excluding Transportation
- Value of Manufacturers' New Orders for Nondurable Goods Industries



Year-Over-Year Numbers

Manufacturers' New Orders: Durable Goods:	May 2019 -2.75212
Value of Manufacturers' New Orders for All Manufacturing Industries:	May 2019 -1.15850
Value of Manufacturers' New Orders for Capital Goods: Nondefense Capital Goods Excluding Aircraft Industries:	May 2019 1.04711
Value of Manufacturers' New Orders for Consumer Goods: Durable Goods Excluding Transportation Industries:	May 2019 0.27664
Value of Manufacturers' New Orders for Nondurable Goods Industries:	May 2019 0.44424

Manufacturers' Inventories



Inventories to Order Comparison

- *Inventories, are up 10 of the last 11 months to new record highs.*
- *Even non-transportation inventories are near the all-time high.*
- *Boeing may very well have skewed transportation numbers.*
- *But excluding transportation, new orders year-over-year are barely in positive territory at +0.28% growth.*
- *Overall, new orders are down 1.16% and durable goods new orders are down 2.75%.*

This is not a healthy picture.