

Durable Goods Drop 2.5 Percent In June

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WASHINGTON (AP) — Orders to U.S. factories for big-ticket durable goods plunged in June by the largest amount in five months, reflecting the continuing troubles in the auto industry and a steep drop in demand for commercial aircraft.

The Commerce Department said Wednesday that orders for durable goods fell 2.5 percent last month, much larger than the 0.6 percent decline that economists had expected. It was the biggest setback since a 7.8 percent fall in January.

Much of the weakness reflected a 38.5 percent decline in orders for commercial aircraft, an industry that has been hurt by the global recession, which has crimped air travel and triggered some airlines to cancel existing orders for planes.

Orders for motor vehicles and parts fell by 1 percent in June after an even larger 8.7 percent drop in May. The weakness reflected the disruptions caused by the bankruptcy filings of General Motors Corp. and Chrysler LLC, which shut their plants for most of June, plus the need for the entire industry to work down a backlog of unsold cars.

Excluding the volatile transportation sector, orders for durable goods were actually up by 1.1 percent in June, a better performance than the flat reading economists had expected.

The strength last month came in demand for primary metals such as steel, which rose by 8.9 percent, and industrial machinery, which was up 4.4 percent.

The strength outside of transportation could be a harbinger of better days ahead for manufacturing, which has struggled to cope with the severe U.S. recession plus the worst global downturn since the Great Depression, weakness that has severely dampened demand in many of America's major export markets.

The U.S. economy has been mired in its longest recession since the end of World War II but there have been increasing signs that the worst of the downturn may be over. The government is scheduled on Friday to report on overall economic output, as measured by the gross domestic product, for the April-June quarter.

The expectation was that GDP fell at an annual rate of 1.5 percent during that period, a much smaller decline than the 5.5 percent rate of decline in the first three months of this year.

Many economists believe that the economy will resume growing in the current July-September quarter although they expect unemployment, now at a 26-year high of 9.5 percent, to keep rising until early next year.

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