Durable Goods Down, Indexes Inconclusive

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WASHINGTON (AP) — Orders for goods expected to last at least three years fell unexpectedly in August due mainly to a drop in demand for commercial aircraft.

The second decline in orders for durable goods in three months is evidence that any recovery in manufacturing will be slow and gradual.

The Commerce Department said Friday that orders for durable goods dropped 2.4 percent in August, after increasing a revised 4.8 percent in July. Wall Street economists expected a 0.5 percent increase, according to a survey by Thomson Reuters.

Orders for commercial aircraft and parts, a volatile category, plummeted 42.2 percent after nearly doubling in July.

Excluding aircraft and other transportation goods, orders were flat in August, also below analysts' expectations of a 0.5 percent rise. Transportation goods orders dropped 9.3 percent.

The Boeing Co. said earlier this month that its August orders fell 11 percent, as weaker demand for air travel forces airlines to scale back plans to buy new planes.

The Chicago-based airplane maker also said commercial jet deliveries tumbled 22 percent last month compared with August 2008. Still, Boeing says it remains on track to deliver 480-485 planes this year, up from 375 in 2008.

Autos and auto parts orders posted a 0.4 percent gain in August, after rising 1.6 percent in July, according to the government data. The sector received a major boost last month from the Cash for Clunkers program, which provided consumers rebates of up to $4,500 for trading in older cars for newer, more fuel-efficient models. The program, which ended last month, boosted auto sales 30 percent in August.

Several other categories posted weak results. Orders for computers and electronic products dropped 0.7 percent, after rising for two straight months. Electrical equipment and appliance orders fell 0.5 percent, after jumping 4.2 percent in July.

A category known as "non-defense capital goods, excluding aircraft," a key measure of business investment in machinery and other items, fell 0.4 percent, its second straight drop. It dropped 1.3 percent in July.

Still, other recent measures of manufacturing output have been positive. The Federal Reserve said last week that industrial production rose for the second straight month in August. And the Institute for Supply Management, a trade group,

said earlier this month that its gauge of manufacturing activity signaled growth in August for the first time in 19 months.

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