July A Bleak Month For Manufactured Goods

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WASHINGTON (AP) — Companies cut back on their investments in equipment and machines last month as the economic recovery lost momentum.

Overall orders for big-ticket manufactured goods increased 0.3 percent in July, the Commerce Department said Wednesday. But that was only because of a 76 percent jump in demand for commercial aircraft.

Taking out the volatile transportation category, orders fell 3.8 percent — the steepest decline since January. And businesses orders for capital goods fell 8.0 percent. That was the biggest decrease since January of 2009, when the economy was in the deepest recession since the Great Depression.

Machinery and computers were especially hard-hit. Orders for machinery dropped 15 percent, the biggest decline on record for that category.

The figures offered the latest evidence that the economic recovery is in danger of stalling. It follows a report Tuesday that said sales of previously owned homes fell to the lowest level in decades in July. Unemployment remains near double digits and job growth in the private sector is slowing.

"The rebound in manufacturing was one of the bright spots in an otherwise disappointing recovery," said Paul Ashworth, senior U.S. economist at Capital Economics. "Take it away, throw in a relapse in housing, and you don't have much left."

Demand for durable goods has mostly risen in recent months. Orders are 15.6 percent higher than they were a year ago. Excluding transportation, demand has increased in all but two months this year.

Factory orders are a key measure of the economic recovery. Manufacturers have helped to lead the rebound. They filled orders for businesses that were building up stocks after whittling them down during the recession.

But many companies are done restocking, cooling demand for factory goods.

The report was grim compared to June's results. Overall orders in June declined by a revised 1.0 percent. But excluding transportation, orders rose 0.2 percent. Spending by businesses increased 3.6 percent that month — a rare bright spot.

Durable goods are expected to last three years or more. The full survey of factory orders will be released next week.

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