

Demand For Durable Goods Fell In June

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Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — U.S. businesses cut back on orders for aircraft, autos, heavy machinery and computers in June, sending demand for long-lasting manufactured goods lower for the second month in the past three.

Orders for durable goods fell 2.1 percent last month, with the weakness led by a big drop in orders for commercial aircraft, the Commerce Department reported Wednesday. A number of other categories also showed weakness including autos and auto parts. A key category that tracks business investment plans fell 0.4 percent in June.

Manufacturing has been the stellar performer in the two-year-old recovery. But activity slowed in the spring, reflecting in part supply disruptions following the March earthquake and tsunami in Japan. Manufacturing was also hurt by the hit the overall economy took from higher energy prices which dampened consumer demand.

The 2.1 percent decline in June orders came after an even bigger 2.5 percent drop in April. Orders had risen 1.9 percent in May. The latest drop was a disappointment to economists who had forecast a slight rise, believing that the disruptions caused by the Japanese natural disasters and the surge in energy prices earlier this year were beginning to wane.

The June decline pushed durable goods orders down to \$191.98 billion on a seasonally adjusted basis. That is still 29.1 percent higher than the recession low hit in April 2009, but it is 21.6 percent below the high set in December 2007 as the recession was beginning.

Demand for commercial aircraft plunged 28.9 percent while orders for new cars and auto parts fell 1.4 percent. Total demand for transportation products fell 8.5 percent as orders for military aircraft were also down. Outside of transportation, orders would have shown a small 0.1 percent increase.

Demand for primary metals such as steel rose 1 percent but orders for heavy machinery fell 2.3 percent and demand for computers and related products dropped 0.8 percent.

The category of capital goods excluding aircraft, considered a good proxy for business investment plans, fell for the second time in three months, dropping 0.4 percent in both June and April.

The Federal Reserve reported recently that auto production fell 2 percent in June, the third straight month of declines for autos. U.S. automakers have had trouble getting component parts out of Japan. Overall industrial production showed a slight

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0.2 percent rise in June. Gains in mining and utilities offset a flat reading for factory output.

A closely watched gauge of manufacturing activity grew more strongly in June after a sluggish May. The Institute for Supply Management's manufacturing index rose to 55.3 last month after a May reading that was the weakest in 20 months. A reading above 50 indicates manufacturing is continuing to expand.

Caterpillar Inc. reported last week that robust demand for its heavy equipment boosted the company's second quarter profits by 44 percent. But even with the gain, the company's quarterly profits fell short of Wall Street estimates for the first time since the recession ended.

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