

Orders To U.S. Manufacturers On The Rise

WASHINGTON (AP) — Businesses likely increased their orders for manufactured goods in May, evidence that supply chain interruptions stemming from Japan's earthquake are fading and the economy could pick up soon.

Economists forecast that orders to U.S. factories rose 0.9 percent in May, after falling 1.2 percent in April.

The increase will probably be driven by higher orders for long-lasting manufactured goods, such as autos, machinery and computers. A preliminary report released late last month showed that orders for those items rose 1.9 percent in May.

Orders for so-called nondurable goods, such as food, clothing, oil, and chemicals, likely fell because oil prices have dropped in recent months. Orders are measured by value, and the value of so-called nondurable goods is heavily influenced by oil prices.

The manufacturing sector has been a driving force behind the economic recovery, but factory output slowed this spring. High gas prices cut into consumer spending and a disruption in the supply of auto parts and some electronic components interrupted production.

Recent reports indicate those trends are reversing. On Friday, a trade group said the manufacturing sector expanded at a faster pace in June after slowing sharply in May. The Institute of Supply Management's index of manufacturing activity rose to 55.3 from 53.5. Any reading over 50 signals growth. Still, that's below levels earlier this year, when the index topped 60 for four months.

A recovery in the auto sector is one reason production is moving back up. Japanese automakers with plants in the United States, such as Toyota Motor Corp., Honda Motor Co. and Nissan Motor Co., sharply cut production in the spring but have begun restoring output. Toyota executives say their North American factories will be back to 100 percent in September.

Reports from the major automakers on Friday showed that sales rose 7 percent in June, compared to a year ago.

Economists forecast that a rebound in auto production will help boost the economy in the second half of this year. The economy grew at a 1.9 percent annual pace in the January-March quarter, and most economists expect a similarly weak pace of growth in the April-June quarter.

But many economists expect growth will improve to 3.2 percent in the second half of this year, according to an Associated Press survey.

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