

# Factory Orders Fall Again In June

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — Businesses cut back on orders for airplanes, autos and heavy machinery in June, lowering demand for factory goods for the second time in three months.

The Commerce Department said Wednesday that orders to U.S. factories fell 0.8 percent in June. A key category that tracks business investment plans managed a small increase, offering a positive sign amid other gloomy reports on the economy.

High energy prices and supply disruptions caused by the Japan crisis have slowed manufacturing this spring, along with the broader economy.

Overall demand for factory goods fell to \$440.7 billion in June. That's still 31.2 percent higher than the low point during the recession reached in March 2009.

Manufacturing had been one of the strongest areas of the economy since the recession ended. But activity slowed this spring.

Factories had their weakest growth in two years in July, according to the Institute for Supply Management. The private group of purchasing executives said its index fell to 50.9, the lowest reading since July 2009. Any reading above 50 indicates expansion.

Orders for nondefense capital goods excluding aircraft, the category that serves as a proxy for business investment plans, showed a 0.4 percent rise June. That represented an upward revision from an estimate last week that this category had fallen 0.4 percent in June.

The report also slightly revised a drop in durable goods to show a decline of 1.9 percent. That's slightly better than the 2.1 percent drop the government reported last week. Durable goods are items expected to last at least three years.

Orders for nondurable goods, products such as gasoline, chemicals, paper and food, showed no change from the previous month after a 0.5 percent drop in May.

Business demand for transportation equipment fell 8.6 percent, reflecting a 28.9 percent drop in orders for commercial aircraft and a 2.7 percent decline in orders for autos and auto parts.

Automakers and other U.S. companies that depend on component parts from Japan have been hurt by the supply chain disruptions.

Analysts expect manufacturing and the overall economy to pick up in the second half of the year once energy prices stabilize and Japanese factories resume normal

## **Factory Orders Fall Again In June**

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

---

production.

But that is unlikely if consumers remain worried about the economy slipping back into another recession.

U.S. consumers cut back on spending in June for the first time in nearly two years while their incomes grew by the smallest amount in nine months. Consumer spending fuels about 70 percent of economic growth.

Businesses have responded by reducing hiring. The economy added just 18,000 jobs in June, the fewest in nine months, and the unemployment rate is 9.2 percent, the highest all year. The government will issue the July figures Friday.

The overall economy expanded at a 1.3 percent annual rate in April-June quarter after only 0.4 percent growth in the first three months of the year. That was the slowest six-month period since the recession ended two years ago.

Many economists believe economic activity will accelerate only modestly in the second half of the year. Some predict growth of around 2.5 percent in the final six months. That would be far below the pace needed to make a significant dent in the unemployment rate.

**Source URL (retrieved on 09/23/2014 - 6:59pm):**

<http://www.impomag.com/news/2011/08/factory-orders-fall-again-june>