

# Long-Lasting Goods Orders Up In September

Christopher S. Rugaber, AP Economics Writer

WASHINGTON (AP) — Businesses ordered more computers, communications equipment and other big-ticket items in August, a hopeful sign for the slumping economy.

Orders for capital goods, which are considered a good measure of business investment plans, rose 0.9 percent in August, the Commerce Department said Tuesday. It was the second gain in three months.

Overall factory orders fell 0.2 percent, after rising a downwardly revised 2.1 percent in July. A sharp decline in orders for autos and auto parts dragged down the overall total. But that follows July's jump in automotive orders, which was the biggest increase in eight years. Automakers are returning to full production after output was interrupted by Japan's March 11 earthquake.

Economists pay close attention to orders for capital goods, which exclude volatile demand for defense or transportation goods. Businesses typically order more industrial machinery and other capital goods when they are confident in the economy.

Shipments of capital goods rose 2.8 percent in August, the fourth consecutive gain. The government looks closely at shipment data when calculating economic growth.

The increase in orders and shipments suggests businesses kept investing in their companies during a difficult month. Stocks fluctuated wildly, Europe's debt crisis intensified and a raft of data showed the economy was more vulnerable to another recession.

Business spending should help boost growth in the July-September quarter. Many economists estimate growth will reach an annual pace of 2.5 percent in the quarter, an improvement from the 0.9 percent pace in the first six months of this year.

Still, that's not enough to lower unemployment, currently at 9.1 percent.

Orders of non-durable goods, such as food, beverages, and oil and gas, dropped 0.3 percent in August. That was mostly because oil prices fell sharply in August. Factory orders are calculated based on their dollar value.

Oil has dropped even further since the period covered by the report. It fell below \$76 in morning trading Tuesday, its lowest level in more than a year. Gas prices have also declined. The average price per gallon was \$3.41 on Tuesday, according to AAA. That's down 25 cents from a month ago.

Several reports Monday suggested the economy is growing but not enough to lower

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the unemployment rate, which is at 9.1 percent.

Manufacturing expanded at a faster pace in September than August, a private-sector survey found. Production, export orders and employment all rose last month, according to the Institute for Supply Management. New U.S. orders shrank for the third straight month, a bad sign for future production.

Construction spending rose 1.4 percent in August, the Commerce Department said. Much of the gain stemmed from a big jump in state and local government spending on roads, schools and other public projects. With those governments facing big budget gaps, such gains aren't likely to continue.

Both home building and commercial construction — which includes office buildings, factories and power plants — also rose, but remained at weak levels.

Auto sales also rose last month, boosted by unexpected consumer enthusiasm for pickup trucks and SUVs. With the economy weak and gas prices high, analysts didn't expect sales of bigger vehicles to rise. Many small companies have to replace older vehicles, and some carmakers offered zero-percent financing and other deals.

Macroeconomic Advisers, an economic consulting firm, expects the economy will expand at an annual pace of 2.5 percent in the July-September quarter. That's up from an earlier estimate of 2.1 percent.

The economy needs to grow by at least 4 percent to 5 percent for a year to significantly reduce unemployment.

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