

Manufactured Goods Orders Up In September

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — Companies ordered more heavy machinery, computers and other long-lasting manufactured goods in September, a positive sign for the slumping economy.

An increase in demand for those types of durable goods suggests businesses are sticking with investment plans, despite slow growth and dismal consumer confidence.

Orders for so-called core capital goods rose 2.4 percent, the Commerce Department said Wednesday. It was the second straight monthly increase and the largest gain in six months.

Overall demand for durable goods fell 0.8 percent, but that was largely because of a huge decline in volatile commercial aircraft orders. Excluding transportation, orders rose 1.7 percent.

"Demand for big ticket items seems to be alive and well," said John Ryding, an analyst at RDQ Economics. "Outside of the volatile transportation sector, the gains in durable orders were broad based in September, and point to a manufacturing sector that continues to expand at a solid rate."

In a separate report, the Commerce Department said that sales of new homes rose in September after four straight monthly declines, largely because builders cut their prices.

Sales increased to a seasonally adjusted annual pace of 313,000 homes. That's still less than half the 700,000 that economists say represent a healthy housing market. Analysts say the modest increase on the back of reduced prices suggests the struggling housing market is years away from a turnaround.

Durable goods are products that are expected to last at least three years. Core capital goods are those products outside of defense and aircraft. The gains are being driven by tax breaks businesses receive for investments made this year, something Congress approved last December in an effort to give a boost to the sluggish economy.

"Despite the understandable concern about economic growth, businesses are still investing," said Jennifer Lee, senior economist at BMO Capital Markets.

Strong demand for core capital goods is a key reason economists expect annual growth of 2.4 percent in the July-September quarter. That would be a major improvement from the first six months of the year, when the economy expanded at just 0.9 percent, the worst growth since the recession ended more than two years

Manufactured Goods Orders Up In September

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

ago.

The government issues its first estimate for third-quarter growth on Thursday.

Growth of 2.4 percent would ease fears that the economy is in danger of slipping back into a recession. Still, it would need to be nearly double that rate to make a significant dent in the unemployment rate, which remained stuck at 9.1 percent in September for a third straight month.

The 25.5 percent drop in demand for commercial aircraft in September reflected lower orders at aircraft maker Boeing.

Orders for autos and auto parts fell 2.7 percent, after a 9.1 percent drop in August. But those declines only partially reversed very strong gains in previous months.

Manufacturing has helped drive growth since the recession ended. Factory production slowed in the spring — particularly at U.S. auto plants — after the Japan earthquake disrupted supply chains.

Recent data suggest those supply chains have started to flow more freely.

Manufacturing grew in the Philadelphia region in October after contracting for two straight months, the Federal Reserve Bank of Philadelphia said last week. The October reading was the best for the Philly Fed's regional manufacturing index in six months.

In September, U.S. factories produced more goods for a third straight month. They made more airplanes, trucks and home electronics.

And the Institute for Supply Management, a private trade group of purchasing managers, reported that manufacturing activity grew at a faster pace in September than in August, although the pace of growth remained weak.

Another reason for optimism is that many companies have reported solid earnings in the third quarter.

Caterpillar Inc., the world's largest maker of construction and mining equipment, on Monday said it experienced double-digit growth in third quarter earnings and revenue. As a result, the company boosted its revenue outlook for next year.

Source URL (retrieved on 09/20/2014 - 12:19am):

<http://www.impomag.com/news/2011/10/manufactured-goods-orders-september>