

U.S. Durable Goods Orders Fall Outside Aircraft

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WASHINGTON (AP) — Companies cut back on orders for long-lasting U.S. factory goods last month, outside volatile aircraft and other transportation equipment. The decline suggests businesses are losing confidence in the economy.

Orders for durable goods rose a seasonally adjusted 1.6 percent in June from May, the Commerce Department said Thursday.

Excluding transportation equipment, orders fell 1.1 percent — the third decrease in four months.

And orders for so-called core capital goods, which indicate business investment plans, also fell 1.4 percent, also the third decline in four months. The category includes orders for computers and machinery.

Durable goods are products meant to last three years.

"It looks like the corporate sector is starting to lose confidence in the economy," Ethan Harris, co-director of global economics at Bank of America Merrill Lynch said.

Separately, the Labor Department said the number of people seeking unemployment benefits fell by 35,000 to a seasonally adjusted 353,000. But economists view the report with skepticism because the government's seasonal adjustments didn't anticipate fewer summer shutdowns by automakers, which have resulted in fewer temporary layoffs.

Manufacturing has helped drive growth since the recession ended three years ago. But it has slowed in recent months, along with the broader economy.

Europe's financial crisis has lowered demand for U.S. exports. And the pending expiration of several U.S. tax cuts at the start of next year, along with scheduled spending cuts, may also be weighing on growth.

On Friday, the government will release its first estimate for growth in the April-June period. That is expected to show that the economy expanded at an annual rate of only 1.5 percent, down from 1.9 percent in the first quarter.

Harris has a much lower forecast: he expects growth of only 1.1 percent. The economy will likely remain sluggish for the rest of the year, he said, because U.S. companies may postpone large investment plans until after the fiscal cliff is resolved.

"Why am I going to make a big capital spending decision, when I know that in a few months the economy could take a big hit?" Harris asked. Some economists forecast

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that the looming U.S. budget crisis could shave several points from next year's growth.

Overall durable goods orders rose to \$221.6 billion in June. That's 57 percent higher than the recession low hit in the spring of 2009. But orders are still 9.1 percent below their peak in December 2007, when the recession began.

Orders for industrial machinery, computers, and autos fell in June. Aircraft orders, a volatile category, jumped 14.3 percent. Orders for military aircraft also rose, soaring 23.9 percent.

Factory activity shrank in June for the first time in nearly three years, according to a survey by the Institute for Supply Management, a trade group. And the Federal Reserve Bank of Philadelphia said last week that manufacturing in that region contracted in July for the third straight month.

There have been a few positive signs.

A survey from Federal Reserve Bank of New York found that manufacturing expanded in that region this month.

And some large industrial companies reported healthy earnings Wednesday. Heavy equipment maker Caterpillar said its second-quarter profit jumped 67 percent, largely because of strong demand for construction and mining equipment. It expressed confidence that the global economy would improve next year.

Healthy sales of passenger jets pushed up Boeing Co.'s second quarter profits 3 percent, the company said Wednesday, a better showing than many analysts expected. But Ford Motor Co. said its net income fell 57 percent, largely because it lost \$404 million in Europe.

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