

U.S. Factory Orders Rose 2.8 Percent In July

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WASHINGTON (AP) — Orders to U.S. companies rose in July, reflecting a surge in demand for autos and commercial aircraft. But in a troubling sign of manufacturing weakness, a key orders category that tracks business investment plans fell by the largest amount in eight months.

Factory orders rose 2.8 percent in July, the biggest overall advance in a year, reflecting sizable gains in demand for motor vehicles and airplanes, the Commerce Department said Friday. But core capital goods orders, viewed as a good proxy for investment spending, plunged 4 percent, the fourth setback in the past five months.

The worry is that businesses have begun to scale back their plans to expand and modernize in the face of spreading economic weakness in Europe and such major U.S. export markets as China, Brazil and India.

Europe's financial crisis has pushed many countries in that region into recession, a development that threatens exports of U.S. goods.

Economists are also worried that companies are already postponing plans to buy new equipment and hire new workers because of the uncertainty over how the federal budget deadlock will be resolved, a development that would represent another blow for an already weak recovery.

For July, orders for durable goods, items from battleships to bicycles, increased 4.1 percent, slightly lower than the government's preliminary estimate last week of a 4.2 percent gain. Orders for non-durable goods, items such as food, clothing and paper, increased 1.5 percent following a 2.3 percent decline in June.

The strength in durable goods was led by a 53.9 percent surge in the volatile category of commercial aircraft while demand for motor vehicles climbed a strong 20.6 percent.

Orders for primary metals such as steel were up 2.9 percent but demand for heavy machinery fell 4.1 percent with orders for electric turbines and power generators dropping 26.9 percent.

The government reported Wednesday that the overall economy grew at an annual rate of 1.7 percent in the April-June quarter. While that was slightly better than the initial estimate of growth at 1.5 percent in the second quarter, it was still far below the pace needed to make a significant dent in the unemployment rate.

If a recession does occur, the Congressional Budget Office said that unemployment could rise to around 9 percent. It is currently at 8.3 percent.

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