

Factory Orders Rise Again

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AP Economics Writer - June 3, 2009

WASHINGTON (AP) — Orders to U.S. factories rose 0.7 percent in April, the second increase in three months and further evidence that manufacturers may be recovering.

Still, the Commerce Department's report Wednesday was below analysts' expectations of a 0.9 percent increase. The department also sharply marked down the March figure to a 1.9 percent drop, compared with the 0.9 percent decline previously reported.

Shipments fell 0.2 percent, the ninth consecutive drop, though at a much slower pace than the 1.8 percent fall in March.

Manufacturers have been hit hard by the recession, the longest since World War II, which has cut back both domestic shipments and exports. The auto sector is also reeling as both General Motors Corp. and Chrysler LLC have filed for bankruptcy in the past month. Their restructuring plans call for sharply reducing U.S. production, which also puts thousands of their supplier companies at risk.

But other recent news has been better. Americans bought more cars in May than in any other month this year, according to data released Tuesday, as deep discounts by GM and Chrysler pushed sales above expectations.

The improvement was reflected in Wednesday's numbers, as orders for motor vehicle parts and assemblies rose 2.2 percent in April. A 5.8 percent jump in transportation equipment, which includes motor vehicles, drove the overall increase in factory orders.

GM's sales in May dropped 29 percent from the previous year, a smaller drop than earlier this year. Ford Motor Co.'s sales fell 24 percent from last May, but were up 20 percent from April, the company said Tuesday. Chrysler's sales fell 47 percent, about the same as before it filed for bankruptcy protection. Overall, industry sales fell 34 percent from a year ago.

Orders for big-ticket durable goods, such as industrial machinery and appliances, rose 1.7 percent, down slightly from the government's initial estimate last week of a 1.9 percent rise.

Orders for non-defense capital goods excluding aircraft, a measure that is seen as a proxy for business investment, fell 2.4 percent in April, a sign that businesses are still cutting back on spending amid the weak economy.

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U.S. gross domestic product, the broadest measure of the economy's output, fell at a 5.7 percent annual rate in the first quarter of this year, the government said last week. Most economists expect the pace of decline to slow to roughly 2 to 3 percent in the April-June period.

In April, orders for machinery increased 0.6 percent, while electrical equipment and appliance orders rose 0.9 percent. Consumer goods, such as food, chemicals and paper products, dipped 0.1 percent.

Separately, the Institute for Supply Management said Monday that manufacturing activity in May contracted at the slowest pace in eight months. The trade group's index of manufacturing activity was 42.8, up from 40.1 in April. A reading below 50 still indicates activity contracted, but the figure surpassed economists' forecasts.

And an important measure of new orders placed with U.S. factories rose to 51.1 in May. It was the first time this barometer had grown since November 2007, the month before the recession began.

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