Commerce Department report



Orders for long-lasting factory goods fell some 7.3 percent last month, the Commerce Department says. AP

Orders for durable factory goods plunge

7.3 percent drop is steepest in nearly a year

By Christopher S. Rugaber
Associated Press

WASHINGTON — Orders for long-lasting factory goods fell sharply last month as demand for commercial aircraft plummeted and businesses spent less on computers and electrical equipment.

Manufacturing continues to struggle and could prevent economic growth from picking up in the July-September quarter.

Orders for durable goods plunged 7.3 percent in July, the Commerce Department said Monday. It's the steepest drop in nearly a year.

Excluding the volatile transportation category, orders fell just 0.6 percent. Both declines followed three straight months of increases.

Durable goods are items meant to last at least three years.

Economists tend to focus on orders for so-called core capital goods. Those orders fell 3.3 percent, but the drop followed four straight months of gains.

Core capital goods are considered a good measure of businesses' confidence in the economy. They include items that point to expansion — such as machinery, computers and heavy trucks — while excluding volatile orders for aircraft and defense.

The big drop suggests the third quarter is off to a weaker start than some had hoped. While economists cautioned that it's just one month of data, a few lowered their growth estimates for the July-September quarter after seeing the durable goods report. Economists at Barclays Capital now predict third-quarter growth at an annual rate of 1.9 percent, down from their previous forecast of 2.1 percent.

"At the very least, it is a reminder that the expected pickup in economic growth in the second half of the year will be gradual," said Paul Ashworth, an economist at Capital Economics.

UNFILLED ORDERS HIGH

» One bright spot in the Commerce Department's durable goods report for July was that unfilled orders rose to their highest level since record began in 1992. Those are orders that were placed in previous months but yet to be shipped.
» The increase suggests output could remain steady in the coming months, despite the weak month of orders in July.