Durable Goods Orders in U.S. Unexpectedly Decreased

By Timothy R. Homan

Sept. 25 (Bloomberg) -- Demand for U.S. durable goods unexpectedly fell in August, signaling companies are planning to curb spending on concern gains in sales will not be sustained.

Orders for goods meant to least several years dropped 2.4 percent, the worst performance since January, the Commerce Department said today in Washington. Excluding transportation equipment, orders were little changed.

Restrained consumer spending and near-record excess capacity mean companies will probably not boost investment in new plants or equipment in coming months. The report caused Morgan Stanley in New York to cut its projection for third- quarter economic growth and indicates the jump in auto sales from the Obama administration's $3 billion trade-in program may not give other industries a jolt.

"Firms are delaying spending where possible," said David Semmens, an economist at Standard Chartered Bank in New York. "The U.S. has a disappointing recovery ahead. We are not going to see the kind of rebound we are used to."

U.S. stocks fell after the report, erasing an earlier advance. The Standard & Poor's 500 Index lost 0.4 percent to 1,047.10 at 9:40 a.m. in New York. Morgan Stanley lowered its forecast for third-quarter growth to 3.2 percent from 3.7 percent after the report, according to a note to clients from David Greenlaw, the firm's chief fixed-income economist.

Missed Forecasts

Economists forecast durable goods orders would increase 0.4 percent, according to the median of 75 projections in a Bloomberg News survey. Estimates ranged from a decline of 2 percent to a 4 percent gain. The government revised July data to show a 4.8 percent gain, down from a previously estimated 5.1 percent increase.

Outside of transportation, bookings were expected to increase 1 percent, according to the Bloomberg survey.

Demand for aircraft, which is often volatile, slumped 42 percent in August after surging 98 percent the prior month, according to today's report.

Boeing Co., the world's second-biggest airplane maker, said it received orders for 32 planes in August, down from 44 the prior month.

'Strong' Backlog

Even so, the Chicago-based company's 777 model's backlog has "remained very strong" amid the recession with about four years' worth of production left even if the company were to keep running at its full rate of seven a month, Larry Loftis, the program's chief said in an interview this week. Boeing plans to reduce the 777 manufacturing rate by 29 percent in June, to five a month, mainly because airlines have been deferring, though not canceling, orders for the model, he said.

"There's nothing in the near term that would have us cutting production again," he said.

Automobile orders increased 0.4 percent after a 1.6 percent gain in July.

Carmakers including General Motors Co. and Ford Motor Co. plan to boost output through the second half of the year to rebuild depleted inventories. The government's $3 billion cash- for-clunkers incentive to trade in gas-guzzlers for more fuel- efficient vehicles lifted auto sales and production last month.

GM will add a third shift at three U.S. plants that are taking on additional production from factories slated to close or be idled. The facilities getting the new shifts are in Fairfax, Kansas; Fort Wayne, Indiana; and Delta Township, Michigan, GM said this week. The changes will restore 2,400 jobs, the Detroit-based company said.

Clunkers Program

"This is a really good day for GM employees," Tim Lee, the company's vice president of global manufacturing, said during a Sept. 22 conference call. An additional 600 jobs will be restored at stamping and powertrain facilities, he said.

The clunkers program offered auto buyers discounts of as much as $4,500 to trade in older cars and trucks for new, more fuel-efficient vehicles.

Bookings for non-defense capital goods excluding aircraft, a proxy for future business investment, dropped 0.4 percent after a 1.3 percent decrease the prior month that was more than four times as large of previously estimated.

Shipments of these items, a measure used in calculating gross domestic product, dropped 1.9 percent, the worst performance since April.

Companies cut inventories of durable goods by 1.3 percent, according to today's report, and total shipments dropped 1.4 percent, the most since May.

Manufacturing nationwide accounts for about 12 percent of the $14.1 trillion U.S. economy, the world's largest.

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