
US factory orders rise stronger than expected in Sep

Monday, 09 Nov, 2009

Reuters reporter that US factory orders rose a stronger than expected 0.9% in September and inventories continued to shrink, bolstering prospects for a sustained economic recovery. It was the fifth month out of the past six US manufacturers saw orders rise.

Mr James O'Sullivan chief economist for MF Global in New York said that "It's a solid rise in orders. They are consistent with manufacturing growing again. Inventories are still falling so there is more room for orders and production to grow."

Factories cut their stocks by 1% in September, the 13th straight month of declines in manufacturing inventories. It is the longest streak of falling inventories since a 15 month string that began in February 2001. The draw down is good news because it makes it more likely that any future spending will drive new output.

US stock indexes pared losses on the news, but the data was overshadowed by a downgrade of the semiconductor sector and a shake up at two big British banks. The dollar rose on a safe haven bid driven by those concerns.

The factory data followed a week after the government reported the US economy grew at a 3.5% annual rate in the third quarter, snapping four straight quarters of contraction and signaling an end to the nation's deepest recession since the Great Depression.

The Commerce Department said last week that a slowdown in the rate at which businesses were liquidating inventories in the second quarter added nearly a percentage point to the increase in US gross domestic product.

October reports from US automakers suggested another bright spot as sales hit an annualized rate of 10.46 million units, a level not seen in a year except for July and August when the US government's cash for clunkers incentives program sparked a surge in sales.

The factory orders report also showed an upwardly revised gain in orders for durable goods, long lasting items that account for nearly half of overall orders, to 1.4% from the previously reported 1% increase. Orders for non durable items rose 0.6% in September, building on the 0.9% rise seen in August.

(Sourced from www.reuters.com)

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