



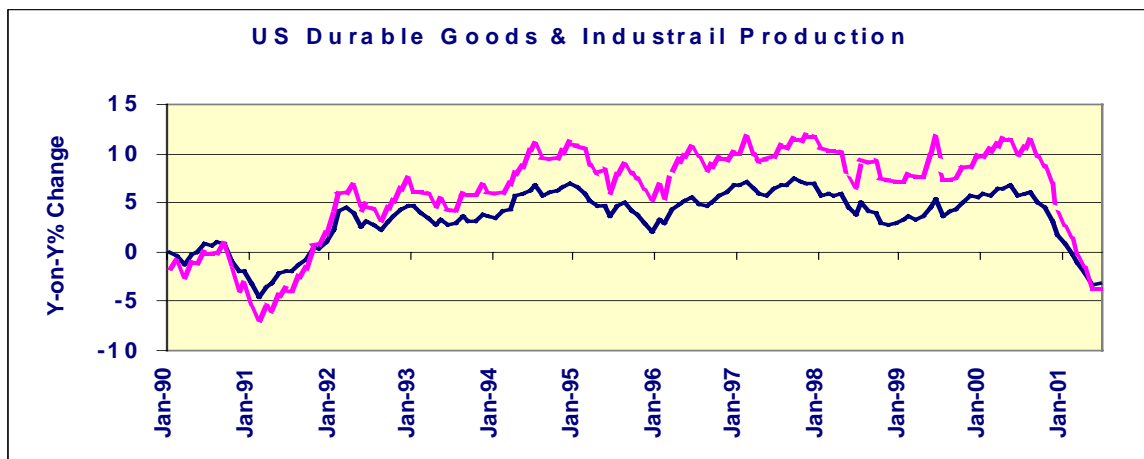
US Manufacturing Still in a Slump

Orders for big-ticket items in the US fell less-than-expected in July with orders for car providing underlying support once again. Orders for durable goods, or items which are meant to last three years or longer, fell by 0.6%, marginally better than then the 0.7% drop expected. June durable goods orders, however, were sharply revised downward to a 2.6% drop from the 1.7% drop previously estimated. Excluding transportation equipment, durable goods orders fell by 1.4% last month, compared to a downwardly revised 2.1% drop in June.

The durable goods report is typically volatile and subject to large revisions but, providing an insight into what is happening in the high-tech sector, it has taken on a new significance in this slowdown. This sector remains weak. Orders for computers and electronic products fell by 4.4% in July. Orders for computers and related products fell by 4.1%. Orders for semiconductors plummeted 26.0% but on the positive side orders for communications equipment rose 18.3%. However, a one-month turnaround is too short to call it a trough.

The data start another weak quarter for U.S. manufacturers and add to evidence that the sector still remains in an economic slump. Inventories declined for the sixth consecutive month in July. The impact of the inventory correction will likely again be a constraint on third quarter economic growth, but the speed of the correction bodes well for stronger conditions in successive quarters.

Geraldine Concagh, 24 August 2001



M-on-M % Change	July	June	May
New Orders	-0.6	-2.6	2.8
Ex-Transportation	-1.4	-2.1	2.7
Ex-Defence	-1.0	-2.2	2.8
Computer/ Electronics	-4.4	-3.4	1.1
- Computer Related	-4.1	-4.9	-6.2
- Communications	18.3	-13.5	-16.4
- Semiconductors	-26.0	-5.2	34.6
Electrical Appliances	1.4	-1.6	-0.4
Transportation Equipment	1.3	-3.8	3.2
- Motor Vehicles/ parts	3.8	-4.4	6.8
- Aircraft/ parts	-6.9	-7.2	3.9
Capital Goods	-0.5	-4.5	-1.3
- Non Defence Capital Goods	-1.9	-3.7	-1.3
- Defence Capital Goods	15.6	-11.9	-1.2