Factory Orders Rose In November After Slow October

WASHINGTON (AP) — Orders to U.S. factories are expected to strengthen in November outside of transportation in a further sign that manufacturers will be cranking up production in anticipation of greater spending by businesses and consumers in 2011.

Economists at JPMorgan Chase are forecasting that factory orders will post a 0.2 percent increase in November. The Commerce Department will release the report at 10 a.m. EST Tuesday.

Economists believe tax cuts will give consumers and businesses the incentive to spend more, meaning U.S. factories will be boosting their output and hiring more workers.

For October, total factory orders fell by 0.9 percent with the closely watched category that signals business investment plans dropping by 3.6 percent.

JPMorgan economists believe that the investment category, which covers nondefense capital goods excluding aircraft, will show a gain of 2.6 percent in November. That increase would be unchanged from a preliminary report the government released on Dec. 23.

The report due Tuesday will update the figures for durable goods, items expected to last three years ranging from consumer appliances to jet airplanes, and will also add in orders for nondurable goods, products from food to gasoline to paper.

Manufacturing has been one of the standout performers so far in this recovery. U.S. businesses are getting a boost from strong foreign demand. The rise in exports has been helped by a weaker dollar compared to other currencies. That makes U.S. goods cheaper in foreign markets.

The Institute for Supply Management reported Monday that its closely watched gauge of manufacturing activity expanded for a 17th month in December. The trade group of purchasing managers said its manufacturingindex rose to 57 last month, a seven-month high. Any reading over 50 indicates growth in manufacturing.

In October, orders to U.S. factories stood at $420 billion. That was 19.1 percent higher than the low point hit in March 2009 as the country was in the grips of the worst recession since the 1930s. Economists viewed activity in October as close to a normal range for orders although it is 13.3 percent below the all-time high hit in December 2007.

For 2011, many economists expect factory orders to continue to show strength as manufacturing benefits from healthy overseas sales and from continued efforts by U.S. companies to expand and modernize their production facilities.

Business investment in new equipment was a major source of economic growth last year and that is expected to continue in 2011 in large part because of the tax package signed into law by President Barack Obama last month.

That agreement includes a provision that allows companies to write-off the entire cost of the investments they make over the next 12 months in a single year rather than having to spread those deductions over several years.

The hope is that businesses will accelerate their investment plans to take advantage of the tax break and this will give a further boost to the economy.