U.S. Factory Orders Up In July

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WASHINGTON (AP) — U.S. factory orders rose strongly in July on the biggest jump in demand for autos in more than eight years and a surge in commercial airplane orders. The increase suggests supply chain disruptions created by the Japan crisis are easing.

Factory orders climbed 2.4 percent, the largest increase since March, the Commerce Department reported Wednesday. Orders for motor vehicles and parts rose 9.8 percent, the largest one-month gain since January 2003.

The increase followed a decline of 0.4 percent in June, one of several reports that stoked fears the country could fall back into a recession.

Wall Street appeared encouraged by the better-than-expected report. In early trading, the Dow Jones industrial average rose more than 100 points.

Economists at RDQ Economics said the July gain suggests manufacturing will grow modestly.

Manufacturing has been one of the leading sectors since the recession officially ended two years ago. But higher energy prices and a parts shortage caused by the Japanese natural disasters slowed activity this spring.

The July report showed pockets of lingering weakness. A key category that tracks business investment plans declined 0.9 percent in July. That followed a 0.8 percent rise in the previous month.

Excluding the volatile transportation categories, orders rose a more modest 0.9 percent in July, still the best showing for this category since March.

The report showed that orders for durable goods, products expected to last at least three years, rose 4.1 percent in June, slightly better than the 4 percent increase shown in a preliminary estimate last week. Orders for nondurable goods, products such as chemicals, paper and food, were up 1 percent in July after a much smaller 0.2 percent increase in June.

The overall increase pushed total orders to $453.2 billion, up 33.8 percent from the recession low hit in March 2009.

The economy grew at an annual rate of just 0.7 percent in the first six months of this year, the weakest performance since the recession ended two years ago. Markets became more turbulent over the last month as Europe's debt crisis intensified and U.S. lawmakers fought over increase the nation's debt limit. The prolonged debate over the debt ceiling led Standard & Poor's to lower its rating on

U.S. long-term debt for the first time in history.

A handful of reports showed that growth picked up at the start July-September quarter. In July, consumer spending rose by the most in five months and the economy created twice the number of jobs as in each of the previous two months.

Still, consumer confidence in the economy plunged in August to a two-year low, according to a report Tuesday from the Conference Board.

Many economists have been lowering their estimates for growth in the second half of this year. Some are forecasting growth at around 1 percent, only slightly better than the first six months and far below the pace needed to make a significant on unemployment.