U.S. Factory Orders Fall For Second Month

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WASHINGTON (AP) — Companies decreased their overall orders to U.S. factories in October for the second straight month, evidence that the economy remains weak despite other signs of improvement.

The Commerce Department said Monday that total factory orders fell 0.4 percent. September's modest 0.3 percent increase was also revised to show a 0.1 percent drop.

Demand for so-called core capital goods, a good proxy for business investment plans, fell 0.8 percent. Still, that's after two months of solid increases in that category, fueled by increased demand for computers and heavy machinery.

Factory orders can vary greatly from month to month. A big reason for October's decline was a large drop in orders for commercial aircraft, a volatile sector that fell nearly 17 percent.

And analysts say October's report offered some positive news: manufacturers increased their stockpiles 0.9 percent in October after more modest increases in previous months. That suggests they are optimistic about future sales.

"All and all, a positive report, consistent with solid growth in equipment and software investment," said Peter Newland, an analyst at Barclays Capital Research.

The report covers both durable goods, items expected to last at least three years, and nondurable goods, products such as paper, chemicals and clothing.

Orders for durable goods fell 0.5 percent, reflecting the weakness in commercial aircraft. Orders for nondurable goods were down 0.3 percent. And defense industries reported a steep 21.1 percent drop in new orders for goods such as missiles, aircraft and small arms.

Manufacturing has been showing signs of rebounding after slowing earlier this year. Other indicators suggest that has continued.

Auto sales and production are up now that supply chain disruptions caused by the earthquake in Japan have eased. Orders for autos and auto parts rose 6.2 percent in October, after dropping 2.2 percent in September. And consumers have stepped up spending since high gas prices chipped away at their paychecks last spring.

The Institute for Supply Management said factory output expanded in November for 28th straight month.

The economy is growing slowly and steadily after nearly stalling in the first six

months of the year. Economics expect slightly better growth of 2.5 percent the October-December quarter.

Modest growth has also encouraged businesses to hire more workers. The economy added 120,000 net jobs in November, the Labor Department said Friday. The economy has generated 100,000 or more jobs five months in a row — the first time that has happened since April 2006, well before the Great Recession.

The unemployment rate dropped to 8.6 percent, the lowest level since March 2009.

Other reports in recent weeks show the economy is picking up. Holiday sales got off to a good start after Thanksgiving and auto sales posted big gains in November. Both should help increase factory production in the coming months.

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