

Durable Goods Orders Drop By Most In 3 Years

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

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WASHINGTON (AP) — Businesses slashed spending on machinery and equipment in January after a tax break expired, pushing orders for long-lasting manufacturing goods down by the largest amount in three years.

Orders for durable goods fell 4 percent last month, the Commerce Department said Tuesday.

A big reason for the decline was demand for so-called core capital goods, which are viewed as a good measure of business investment plans, tumbled 4.5 percent. That's the biggest drop in a year.

Demand for core capital goods hit an all-time high in December. Companies rushed to take advantage of a tax break that expired at the end of last year.

A durable good is a product expected to last at least three years. They include everything from appliances and cars to heavy machinery and planes. Orders tend to fluctuate sharply from one month to the next. But the overall trend in orders has increased since the recession ended nearly three years ago.

In January, overall orders totaled \$206.1 billion. That's 38.6 above the low hit during the recession. Orders are still 16 percent below their peak hit in December 2007.

Even without that tax break, many analysts believe business investment will pick up and stay strong in 2012 as companies take advantage of stockpiles of cash to expand and modernize their production facilities.

U.S. factories boosted output last month and December ended up being their best month of growth in five years. Strong auto sales and growing business investment in machinery and other equipment are keeping factories busy and helping the economy grow.

About 9 percent of the nation's jobs are in manufacturing. But last year, factories added 13 percent of new jobs. And in January, about one-fifth of the 243,000 net jobs the economy created were in manufacturing.

The economy grew at an annual rate of 2.8 percent in the final three months of last year. Economists are looking for roughly the same level growth in the current quarter. And a forecasting panel of the National Association for Business Economics said Monday that the economy should grow 2.3 percent this year.

Source URL (retrieved on 02/01/2015 - 6:34pm):

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