U.S. Factory Orders Fell In January

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WASHINGTON (AP) — U.S. factory orders fell in January by the most in 15 months after businesses sharply reduced orders for machinery and equipment.

The decrease was largely expected after a tax cut expired at the end of last year. Even with the decline, orders have gradually been climbing back to near pre-recession levels.

The Commerce Department said Monday that factory orders fell 1 percent in January.

That lowered overall demand for factory goods to $462.6 billion, or 37.7 percent above the recession low hit in March 2009. Demand is now just 4.6 percent below the peak set in June 2008.

A key reason for the decline in January was a drop in demand for so-called core capital goods, which are considered a proxy for business investment. Those orders fell 3.9 percent, the biggest decline in a year.

But most economists noted that it followed a big increase in December, the final month businesses could take advantage of a one-year investment tax break.

"Factory orders fell in January in the typical pattern of declines in the first month of the quarter," said Steven Wood, chief economist at Insight Economics. "Nevertheless, new orders have been on a rising trend since March 2009 although they remain below their pre-recession peak."

The factory orders report includes an updated estimate on durable goods orders and a fresh look at demand for food, gasoline, paper and other nondurable product.

Orders for non-durable goods rose 1.3 percent. Orders to petroleum refineries increased 3.3 percent, reflecting higher energy prices.

Orders for durable goods fell 3.7 percent. This was a slight improvement from a preliminary report last week that showed durable goods orders had fallen 4 percent.

Durable goods are products expected to last at least three years, such as appliances, cars, machinery and airplanes. Orders tend to sharply fluctuate from one month to the next. But the overall trend in orders has increased since the recession ended nearly three years ago.

Strong auto sales and growing business investment in machinery and other equipment have been keeping factories busy and helping the economy grow.

U.S. factory activity has grown steadily since the recession ended 2 1/2 years ago, as measured by the Institute for Supply Management. The trade group of purchasing managers said the pace of growth slowed slightly in February.

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 government will release a crucial report Friday on February job growth.

The economy grew at an annual rate of 3 percent in the final three months of last year. A forecasting panel of the National Association for Business Economics said last week that the economy should grow 2.3 percent this year.