U.S. Orders For Long-Lasting Goods Rise 2.2 Percent

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WASHINGTON (AP) — U.S. companies ordered more long-lasting goods last month, showing businesses are willing to buy equipment and machinery even after an investment tax credit was halved.

The Commerce Department said Wednesday that orders for durable goods rose 2.2 percent in February after a steep drop in January. Greater demand for machinery, computers, autos and aircraft drove much of the increase.

Orders for so-called "core" capital goods, a good measure of business investment plans, rose 1.2 percent. Demand for these goods fell in January by the most in a year, after the full tax credit expired.

A durable good is expected to last at least three years. Orders can fluctuate sharply from month to month. Still, orders have been steadily rising since the recession ended nearly three years ago.

In February, durable goods orders totaled $211.8 billion, 42 percent above the recession low. Orders remain roughly 14 percent below their peak in December 2007.

The increase in February disappointed some economists, who had hoped to see a bigger gain in orders. Paul Ashworth, an economist at Capital Economics, noted that orders for commercial aircraft were much smaller than expected.

"Otherwise, the orders data were encouraging," Ashworth wrote in a note to clients. Excluding airplanes and other transportation equipment, orders rose at a 1.6 percent pace, close to economists' forecasts.

Last year, businesses could reduce their taxable profits by an amount equal to the cost of a major investment. That credit fueled a jump in orders for industrial machinery, computers and other capital goods. Spending on core capital goods surged nearly 3 percent to an all-time high in December.

The credit this year lets companies write off only half the cost. Many economists believe that change was a big reason for the January drop off in durable goods and core capital goods.

Shipments of core capital goods rose in February. But they are still below December's total. As a result, business investment in equipment and software isn't much higher than it was in the final three months of last year, Ashworth noted. That's a big reason economists expect economic growth to slow to about a 2 percent annual pace in the current quarter, down from 3 percent in the final three months of last year.

Still, business investment is expected to stay strong this year. Surveys show that business spending should increase in the April-June quarter, Ashworth said. Many companies delayed upgrading their facilities during the recession and are starting to catch up.

A vibrant manufacturing sector has helped drive the best job growth in two years. The economy has added an average of 245,000 jobs per month since December, which has lowered the unemployment rate to 8.3 percent. Manufacturers have added an average of 37,000 jobs per month during that time.