U.S. Durable Goods Rose 1.1 Percent In May

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WASHINGTON (AP) — Businesses placed more orders with U.S. factories for long-lasting manufactured goods in May. The increase suggests companies remain confident in the U.S. economy despite a weaker job market and a likely recession in Europe.

The Commerce Department said Wednesday that orders for durable goods rose 1.1 percent in May after two months of declines.

And so-called core capital goods, which signal business investment plans, increased 1.6 percent. That also followed two months of declines, which raised concerns that businesses were losing confidence in the economy. Companies ordered more heavy machinery, computers and communication equipment in May.

Durable goods are items that are expected to last at least three years. Orders can be volatile from month to month.

"All in, the improvement in May is, again, a relief," said Jennifer Lee, a senior economist at BMO Capital Markets. "However, smoothing out the monthly wiggles in core orders shows a decelerating trend.... In other words, continued uncertainty over Europe's debt crisis and the fiscal problems in the U.S. are still hurting business and consumer confidence, and suggests only modest growth as we enter the second half of 2012."

In May, orders rose to $217.2 billion, 46 percent above the recession low hit in April 2009. Orders are still 11.4 percent below their 2007 peak.

U.S. manufacturing has been a key driver of growth since the recession ended three years ago. But Europe's debt crisis has weakened demand for U.S. exports. And several other reports suggest the factory activity has slowed.

Factories produced less in May than April, the Federal Reserve said earlier this month. Automakers cut back on output for the first time in six months.

In June, manufacturing activity barely grew in the New York region and contracted sharply in the Philadelphia area, according to surveys by regional Federal Reserve banks.

The May durable goods report showed orders for transportation products increased 2.7 percent, led by a 4.9 percent gain in volatile demand for commercial aircraft. Orders for motor vehicles and parts rose 0.5 percent following a 5.7 percent surge in April.

Excluding transportation, durable goods orders rose 0.4 percent.

Demand for machinery rose 4.1 percent. Orders for computers and related products were up 3.3 percent and orders for communications equipment increased 2.3 percent. Orders for primary metals such as steel fell 1.5 percent.

Manufacturers added 12,000 jobs in May, the eighth straight gain. But overall, the economy generated just 69,000 jobs last month, the fewest jobs in a year.

Employers have added an average of just 73,000 jobs a month in April and May. That followed average gains of 226,000 a month in the first three months of the year.

With job growth weaker and the unemployment rate still high, consumers have pulled back on spending and businesses appear less confident about the economy. They are placing fewer orders at factories, which has slowed manufacturing output.

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