U.S. Factory Orders Fell 0.6 Percent In April

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WASHINGTON (AP) — Companies placed fewer orders to U.S. factories for the second straight month and a key measure that tracks business investment plans fell, adding to evidence that the economy is weakening.

The Commerce Department said Monday that orders for factory goods fell 0.6 percent in April from March.

Demand for so-called core capital goods, such as heavy machinery and computers, dropped 2.1 percent in April. That followed a 2.3 percent decline in March.

Core capital goods are a good proxy for business investment plans. The declines suggest companies may be worried about a weaker U.S. job market, which could crimp consumer spending. Businesses may also fear the worsening European debt crisis and slower growth in China could slow demand for U.S. exports.

Even with the declines, factory orders are well above their recession lows. Orders in April totaled $465.98 billion, up 38.7 percent from the recession low reached in March 2009. Orders are still 3.1 percent below the peak reached in December 2007, the month the recession began.

Economists said they expect the recent decline in factory orders to be reversed in the coming months. They predicted manufacturing would remain a source of strength for the economy this year.

John Ryding and Conrad DeQuardros of RDQ Economics noted that the Institute for Supply Management's survey of manufacturing activity showed new orders rose to a 13-month high in May.

"We think U.S. manufacturing remains in good shape and that it will continue to expand at a solid rate in the coming months," they wrote in a note to clients.

Still, the April report on factory orders was discouraging.

Demand for durable goods, items such as autos and aircraft that are expected to last at least three years, were flat in April. That represented a downward revision from a preliminary estimate that durable goods orders had risen a slight 0.2 percent in April.

Orders for nondurable goods, which include processed food, chemicals, gasoline and paper, fell 1.1 percent in April. Part of that drop likely reflected lower gas prices, which have tumbled since peaking in early April. The figures are not adjusted for inflation.

Orders for transportation equipment rose 2.2 percent. That largely reflected a 7.2 percent rise in demand for commercial aircraft, which offset a 0.5 percent drop in demand for autos and auto parts.

Demand for primary metals such as steel increased 0.9 percent. But machinery orders fell 2.9 percent, reflecting weakness in orders for industrial machinery and turbines and generators.

Orders for computers declined 5.9 percent, while demand for non-defense communications equipment fell 17.4 percent.

On Friday, the government said U.S. employers added only 69,000 jobs in May, the fewest in a year and the third straight of subpar hiring. The unemployment rate rose from 8.1 percent in April to 8.2 percent last month.

Factories were one of the few industries to create jobs in May. They added 12,000 jobs, helped by rising demand for U.S. exports and a boom in car sales.

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