U.S. Factory Orders Rise 4.8 Percent In September

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WASHINGTON (AP) — U.S. companies boosted their orders for manufactured goods by the largest amount in 18 months in September, but companies remained cautious in ordering goods that signal plans to expand and modernize.

Factory orders rose 4.8 percent in September compared to August, a month when orders had fallen 5.1 percent, the Commerce Department said Friday.

The September gain was the biggest since March 2011 and was driven by a surge in demand for commercial aircraft, a volatile category which had seen orders plunge in August.

Demand for core capital goods, viewed as a good proxy for business investment plans, edged up a slight 0.2 percent in September following a 0.3 percent rise in August. The two modest gains followed two months of huge declines as business investment remains weak.

Businesses have grown more cautious for a number of reasons. Many are concerned about the economic outlook overseas. Europe's financial crisis has pushed many countries in the region into recession. That has cut into U.S. exports and corporate profits. Growth has also slowed in China, Brazil and other big developing nations which are major markets for American exports.

Companies are also hesitant to commit the money to major expansion and modernization projects without knowing whether large tax increases and big government spending cuts will take effect in January should Congress fail to reach a budget deal to avert them.

The report on factory orders covers durable goods, items expected to last at least three years, and nondurable goods such as chemicals, paper and food.

Orders for durable goods jumped 9.8 percent, a slight downward revision from a preliminary report showing a 9.9 percent increase but still the largest in nearly three years. Aircraft orders surged 2,650 percent, following a 97.2 percent drop in August. Orders for primary metals such as steel rose 3.9 percent while demand for machinery was up 9.2 percent. Orders for nondurable goods rose 1 percent in September following a 2.2 percent gain in August.

Core capital goods, the category used as a proxy for business investment, showed gains of 0.2 percent in September and 0.3 percent in August but those tiny increases followed big declines of 5.6 percent in July and 2.7 percent in June.

In the July-September period, business investment in equipment and computer software was flat, the weakest performance since the April-June quarter of 2009 when the country was in recession.

The overall economy grew at a 2 percent annual rate in the July-September quarter. That was a slight improvement over the 1.3 percent growth in the April-June period but the economy needs to be expanding at much faster rates to achieve a sustained improvement in unemployment.

In one hopeful sign, U.S. manufacturing expanded for a second month in October. The Institute for Supply Management said Thursday that its index of factory activity rose in October to 51.7, up from September's reading of 51.5. A reading above 50 indicates expansion. Previous surveys showed that manufacturing had contracted from June through August.

The ISM survey was completed before Hurricane Sandy disrupted business activit6y along the East Coast.

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