U.S. Durable Goods Orders Up 0.7 Percent

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WASHINGTON (AP) — U.S. companies boosted their orders in November for long-lasting manufactured goods that reflect investment plans. It was the second straight such increase, an encouraging sign for the economy.

The Commerce Department said Friday that overall orders for durable goods rose a seasonally adjusted 0.7 percent in November over October.

But a more closely watched category of orders that tracks business investment surged 2.7 percent. That followed an upwardly revised 3.2 percent jump in October, the biggest in 10 months.

Those back-to-back increases followed a period of weakness in so-called core capital goods that had raised concerns about business investment, a driving force in the economic rebound.

The overall increases in orders for durable goods were widespread in November. Only demand for commercial aircraft showed a big decline.

The surge in orders in the business investment category defied concerns that businesses might be reducing investment because of uncertainty about how the debate over the "fiscal cliff" will be resolved. The fiscal cliff refers to the set of automatic tax increases and spending cuts that will take effect in January if Congress and the Obama administration don't reach a budget deal first.

In addition, Europe's debt crisis and slower growth overseas have cut into U.S. exports and corporate profits and raised further concern.

Total orders for transportation equipment dropped 1.1 percent. The decline reflected a 13.9 percent fall in commercial aircraft orders, which offset a 3.5 percent gain in orders for motor vehicles and parts.

Excluding transportation, orders for nondurable goods, items expected to last at least three years, rose to $220.9 billion. For the year, they're up 7.3 percent.

Orders rose 3.3 percent for machinery rose, 2.4 percent for primary metals such as steel and 3.1 percent for computers.

A separate survey by the Institute for Supply Management showed that U.S. manufacturing shrank in November to its weakest level since July 2009. The institute's manufacturing index dropped to 49.5, down from 51.7 in October. Readings above 50 signal growth in manufacturing; readings below 50 indicate contraction.

The government said Thursday that the overall economy grew at an annual rate of 3.1 percent in the July-September quarter. The increase occurred even though business spending on equipment and software fell at an annual rate of 2.6 percent, the first such decline since the spring of 2009, when the economy was in recession.

Many economists are concerned that further cutbacks in business investment and cautious consumer spending could help dampen growth in the current quarter to an annual rate of around 1.5 percent.

But most think the economy will gradually pick up in 2013 if Congress and the administration can achieve a budget deal that removes uncertainty over changes in taxes and government spending.

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