

U.S. Business Investment Orders Drop In February

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WASHINGTON (AP) — U.S. orders for long-lasting goods that signal business investment plans fell in February by the largest amount in seven months, although the decline followed a strong month in January and may prove to be a temporary setback.

The Commerce Department said Tuesday that orders for so-called core capital goods declined 2.7 percent in February from January. Demand weakened for machinery and communications equipment, but rose for computers. The decline followed a 6.7 percent surge in January, which was the biggest one-month gain in nearly three years.

Overall orders for durable goods surged 5.7 percent in February, the biggest month-over-month increase in five months. The increase was driven by a rebound in the volatile commercial aircraft category.

Orders for motor vehicles and parts rose 3.8 percent, the best showing since July. Excluding the volatile transportation sector, orders were down 0.5 percent.

Durable goods are products expected to last at least three years. Orders can fluctuate sharply from month to month.

Economists pay closer attention to orders for core capital goods, which provide a more consistent measure of business plans to expand and modernize their operations.

Demand for heavy machinery fell 2.2 percent in February after a 15.8 percent rise in January. Orders for computers were up 4.9 percent but demand for communications equipment fell 7.6 percent.

Many economists were expecting a decline after January's impressive gain. The broader trend has been favorable, even with uncertainty surrounding tax and spending policies. Core capital goods orders dipped in December but posted strong gains in November and October.

Nearly all Americans who draw a paycheck began paying higher Social Security taxes on Jan. 1 while income taxes rose for the highest earning workers. And \$85 billion in automatic spending cuts started to take effect on March 1, reductions that will mean furloughs and other cutbacks for many government agencies.

The Congressional Budget Office has estimated that the combination of higher taxes and spending cuts will trim overall economic growth by 1.5 percentage point

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this year. The CBO is estimating the economy will grow 1.5 percent in 2013.

U.S. manufacturing is likely to help the economy grow this year after struggling throughout 2012.

The Institute for Supply Management reported that its index of manufacturing activity grew in February at the fastest pace since June 2011, bolstered by increases in orders and production. It was the third straight month of growth in this index.

Many analysts expect economic growth to expand at an annual rate of 2 percent to 2.5 percent in the January-March period, up significantly from an anemic 0.1 percent rise in the October-December quarter.

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