U.S. Factory Orders Up 3 Percent In February

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WASHINGTON (AP) — Orders to U.S. factories rose sharply in February from January on a surge in volatile demand for commercial aircraft. The gain offset a drop in key orders that signal business investment.

The Commerce Department said Tuesday that factory orders increased 3 percent in February. That's up from a 1 percent decline in January and the biggest gain in five months.

The increase was due mostly to a jump in orders for commercial aircraft. Those orders rose 95.1 percent. Orders for motor vehicles and parts also increased 1.4 percent.

Orders for all durable goods, which are products expected to last at least three years, jumped 5.6 percent. Orders for nondurable goods, such as processed food and clothing, rose 0.8 percent.

Despite the gains, the report showed that a key measure of business investment plans fell. That could mean that some companies were worried in February about steep federal spending cuts that started on March. 1.

Core capital goods, which include machinery and equipment orders, fell 3.2 percent. Demand for construction machinery, turbines and generators all fell sharply. Orders for computers and electronic products rose slightly.

Economists closely watch these orders because they signal business investment plans.

Still, the decline followed a 6.7 percent surge in January, the largest in nearly three years. Analysts said that when averaging the two months, business investment orders showed a solid increase for the January-March quarter. Many expect the gains to resume this spring, helped by a stronger job market that has kept consumers spending.

Consumers stepped up spending in February after their income jumped. The gain occurred even after Social Security taxes increased in January, reducing take-home pay for most Americans.

Many economists raised their growth forecasts after the report was released. Some are predicting growth could increase to around 3 percent in the January-March quarter, up from 0.4 percent in the previous three months.

Other data show that some companies may start to pull back because of the government spending cuts.

The Institute for Supply Management reported Monday that U.S. manufacturing activity expanded more slowly in March than February, held back by weaker growth in production and new orders.

But factories did hire at the fastest pace in nine months, which was seen as an encouraging sing ahead of Friday's report on employment in March.

The economy has added an average of 200,000 jobs a month from November through February, which helped lower the unemployment rate in February to a four-year low of 7.7 percent.

Economists predict a similar level of hiring in March.