U.S. Factory Orders Down 4 Percent In March

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WASHINGTON (AP) — Orders to U.S. factories fell in March by the largest amount in seven months but a key category that signals business investment plans managed a small increase.

Factory orders dropped 4 percent in March, reflecting a big plunge in the volatile category of commercial aircraft, the Commerce Department reported Friday. Orders had been up 1.9 percent in February. Orders in a category considered a proxy for business investment plans rose 0.9 percent, a modest gain but an improvement from a preliminary report last week that had shown a decline.

Weaker economies overseas and the impact of across-the-board government spending cuts have made businesses more cautious, dampening demand for manufactured goods. But even with the March decline, total orders stood at $467.3 billion, 43 percent above the recession low hit in March 2009.

Demand for durable goods, items expected to last at least three years, fell 5.8 percent in March, after a 4.3 percent February increase. Orders for nondurable goods, items such as chemicals, petroleum and paper, were down 2.4 percent following a 0.1 percent dip in February. This weakness partly reflects falling prices for energy products.

The 0.9 percent rise in core capital goods, the category watched for business investment, followed a 4.8 percent decline in February and a 6.7 percent surge in January.

In the durable goods area, orders for commercial aircraft plunged 48.3 percent and demand for autos and auto parts fell edged down 0.4 percent, a drop expected to be reversed in coming months given recent strong auto sales.

Orders for machinery dipped 0.8 percent while demand for primary metals such as steel fell 3.2 percent. Orders for computers rose 2.9 percent and orders for electric turbines and communications equipment also showed strength.

A separate report on jobs Friday showed that U.S. employers added 165,000 jobs in April, helping to push the unemployment rate down to a four-year low of 7.5 percent. Economists were also encouraged because Friday's report revised the past two months to show hiring was much stronger than previously thought.

The Institute for Supply Management reported this week that factory activity expanded at a slower pace in April, held back by weaker hiring and less company stockpiling.

The ISM manufacturing index slipped to 50.7, down from 51.3 in March. A reading above 50 indicates expansion but it was the weakest reading this year.

However, there are areas of strength. Last month, U.S. auto sales reached their highest level for any April since 2007. Sales grew 8.5 percent to nearly 1.3 million. And on Thursday, Ford Motor Co. said it will add 2,000 workers to a Missouri plant that makes the F-150 pickup because of surging demand for trucks.

But overseas demand has been weak, in part because of a recession in the euro zone area, the 17 European countries that use the euro as their currency.

Factories may also see slower sales this spring because consumers are starting to feel the impact of higher Social Security taxes. Americans increased their spending from January through March at the fastest pace in more than two years. But spending on goods fell in March, a possible sign that the tax increase may be catching up with consumers, although some economists believe that lower gas prices will help offset the higher Social Security payroll tax.

The economy grew at an annual rate of 2.5 percent from January through March, the government said last week. While that was an improvement from the anemic growth of 0.4 percent in the final three months of last year, many economists expect growth will slow in the current quarter and remain subpar for most of the year due to the expected drag from the government budget cuts.

The Federal Reserve announced after its meeting this week that it planned to keep its low interest rate policies in place until it show more improvement in the labor market.