Orders For U.S. Durable Goods Rise In June

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WASHINGTON (AP) — Orders for long-lasting U.S. factory goods rose in June, bolstered by a surge in aircraft demand and more business spending. The increase suggests companies are more confident in the economy and could boost economic growth in the second half of the year.

The Commerce Department said Thursday that orders for durable goods increased 4.2 percent last month. That followed a 5.2 percent gain in May, which was revised higher.

Most of the gain occurred because aircraft orders, which are volatile month to month, jumped 31.4 percent. Boeing said it received orders for 287 planes in June, up from 232 in May. Excluding autos and airplanes, orders were unchanged.

Orders that signal planned business investment, which exclude volatile transportation and defense orders, increased in June for the fourth straight month. The 0.7 percent gain last month was buoyed by more machinery demand. And orders in May were much stronger than previously reported.

Even with the gain, business investment is not likely to help economic growth in the April-June quarter, economists said. That's because the government measures shipments, rather than orders, when calculating business investments' contribution to growth. Shipments fell in June. But the increase in orders this spring suggests shipments will rise in the July-September quarter and add to growth.

Jonathan Basile, an economist at Credit Suisse, said rising orders are a "recipe for a speed up in manufacturing and business investment" in the third quarter.

Durable goods are items meant to last at least three years. They include everything from computers to industrial machinery to refrigerators.

U.S. manufacturing has struggled this year, in part because a weaker global economy has slowed demand for American exports. And businesses reduced their spending on machinery and equipment in the first quarter, holding back economic growth.

The economy grew at a tepid 1.8 percent annual rate in the January-March quarter and most economists expect growth slowed to a rate of 1 percent or less in the April-June period. Figures for the second quarter will be released next week.

Many economists are hopeful that growth is starting to pick up. Some predict growth at a 2.5 percent annual rate in the second half of the year, aided by steady hiring and more consumer spending

There are also signs that overseas demand is recovering. A survey of purchasing managers in the 17 countries that use the euro currency found that business activity expanded in July for the first time in 18 months. That adds to other evidence that the eurozone may be climbing out of recession.

U.S. manufacturing output rose in June for the second straight month as factories cranked out more business equipment, autos and electronics, the Federal Reserve said last week.

And a survey by the Institute for Supply Management, a trade group, found that factory activity expanded in June after shrinking the previous month. New orders and export orders rose, a positive sign for future growth.

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