

Ovens are displayed at a Lowe's in Atlanta. Businesses placed more orders with U.S. factories for manufactured goods in May. DAVID GOLDMAN/AP

Boost in factory orders not expected to endure

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. factories received more orders for long-lasting manufactured goods in May, rebounding after two weak months. But the trend in orders has slowed this year, adding to worries that the U.S. economy has weakened.

The Commerce Department said Wednesday that orders for durable goods rose 1.1 percent in May after two months of declines.

And so-called core capital goods, which signal business investment plans, increased 1.6 percent. That also followed two months of declines, which raised concerns that businesses were losing confidence in the economy. Companies ordered more heavy machinery, computers and communication equipment in May.

Durable goods are items that are expected to last at least three years. Orders can be volatile from month to month.

"The improvement in May is, again, a relief," said Jennifer Lee, a senior economist at BMO Capital Markets. "However, smoothing out the monthly wiggles in core orders shows a decelerating trend. ... In other words, continued uncertainty over Europe's debt crisis and the fiscal problems in the U.S. are still hurting business and consumer confidence, and suggests only modest growth as we enter the second half of 2012."

In May, orders rose to $217.2 billion, 46 percent above the recession low hit in April 2009. Orders are still 11.4 percent below their 2007 peak.

U.S. manufacturing has been a key driver of growth since the recession ended three years ago. But Europe's debt crisis has weakened demand for U.S. exports. And several other reports suggest the factory activity has slowed.

Factories produced less in May than April, the Federal Reserve said earlier this month. Automakers cut back on output for the first time in six months.

The May durable goods report showed orders for transportation products increased 2.7 percent, led by a 4.9 percent gain in volatile demand for commercial aircraft. Orders for motor vehicles and parts rose 0.5 percent following a 5.7 percent surge in April.