Businesses boost big ticket orders

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WASHINGTON — Companies ordered more machinery, computers and communication equipment in August, a positive sign for the slumping U.S. economy.

An increase in demand for those kind of longer-lasting factory goods suggests businesses are sticking with their investment plans, despite slow growth and weak consumer spending.

Overall orders for durable goods slipped 0.1 percent last month. The modest decline was largely due to an 8.5 percent drop in orders for autos and auto parts. In July, demand for those goods surged 10.2 percent — the biggest increase in eight years.

Economists looked past the headline figure and focused more closely on a 1.1 percent increase in a key category that measures business investment plans. Those are core capital goods that are neither used for defense nor transportation.

Another bright sign: shipments of those goods rose 2.8 percent, the fourth consecutive gain in this category. The government looks closely at shipment data when calculating economic growth.

The orders were placed and shipped in a month when the stock market fluctuated wildly, Europe's debt crisis intensified and a raft of data suggested the U.S. economy was vulnerable to another recession.

Economists said the fact that businesses kept expanding and modernizing during the turbulent month suggests many are confident in the future.

"Business capital spending is rising. There is no recession," said Christopher Rupkey, chief financial economist at Bank of Tokyo-Mitsubishi in New York.

"Large companies are so cash-rich that they can keep spending despite lower confidence," said Ian Shepherdson, chief U.S. economist at High Frequency Economics. "In competitive industries, the company which does not spend loses market share.

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

Manufacturing had been one of the leading sectors since the recession officially ended two years ago. But factory growth slowed this spring and summer, partly because of supply disruptions from Japan, but also because consumer demand weakened.