Durable goods orders dip 5.7% in March

Key index sees steepest decline in seven months

By Christopher S. Rugaber
Associated Press

WASHINGTON — Orders for long-lasting U.S. factory goods fell in March by the most in seven months. The drop reflected a steep decline in commercial aircraft demand and little growth in orders that signal future business investment.

The Commerce Department said Wednesday that orders for durable goods declined 5.7 percent in March. That followed a 4.3 percent gain in February, which was revised lower.

Durable goods are items expected to last at least three years.

So-called core capital goods, which include industrial machinery and computers, ticked up only 0.2 percent. Economists pay close attention to these orders because they strip out more volatile defense and aircraft orders and are a good measure of companies' investment plans.

The March increase in both orders and shipments of core capital goods suggest businesses spent more on equipment and software in the January-March quarter. That likely contributed to economic growth in the first quarter.

Still, most of the gain was from a huge increase in January. Orders fell sharply in February and rose only slightly last month. That indicates businesses may be spending less on equipment in the April-June quarter, economists said.

Weaker economies overseas and the effect of across-the-board government spending cuts have made businesses more cautious. That's reduced demand for manufactured goods. Spending on defense equipment also fell sharply last month.

Orders for durable goods tend to fluctuate sharply from month to month, and economists cautioned against reading too much into one monthly decline.

"This doesn't look like we're entering some kind of downward spiral," said Jonathan Basile, an economist at Credit Suisse. "This seems like a downshift from stronger growth."

Demand fell in most types of goods. Orders dropped for metals such as steel and aluminum, metal parts, electrical equipment and appliances, and defense aircraft. Orders increased for computers and communications equipment.