

Flat-screen televisions are displayed at a Sears store in North Olmsted, Ohio. U.S. demand for long-lasting manufactured goods rose sharply in December on strong gains in volatile aircraft orders. But companies slowed their orders of goods that signal investment plans, indicating manufacturing could stay choppy in 2013. MARK DUNCAN/AP

DURABLE GOODS ORDERS POST GAINS

Boosts in military, commercial aircraft orders lead increase, Commerce Department says

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. demand for long-lasting manufactured goods rose sharply in December on strong gains in volatile aircraft orders. But companies slowed their orders of goods that signal investment plans, indicating manufacturing could stay choppy in 2013.

The Commerce Department said Monday that overall orders for durable goods increased 4.6 percent in December compared with November. The gains were led by a 56.4 percent increase in military aircraft orders and a 10.1 percent increase in commercial aircraft orders.

Orders rose in other major categories, including machinery, communications equipment and primary metals.

A more closely watched gauge of business investment plans increased just 0.2 percent. Economists were encouraged that orders for so-called capital goods kept rising in December after gains of 3 percent in both November and October.

Still, the increases followed a weak stretch in demand for those goods that had raised concerns about companies' confidence in the economy. And with Americans paying higher Social Security payroll taxes this year without much gain in their wages, most economists predict consumer spending will suffer. That could dampen demand for big-ticket items and slow overall economic growth.

"The strength in durable goods orders for December is a most welcome development," said Dan Greenhaus, an analyst at BTIG.

"Going forward though, despite the better numbers, we still expect business investment ... to slow yet again in 2013. This is a trend that remains in place given the weaker demand environment."

Orders for durable goods, which are expected to last at least three years, fluctuate from month to month. For all of 2012, durable goods orders rose 4.1 percent. Demand for core capital goods fell 0.3 percent last year.

Paul Ashworth, chief U.S. economist at Capital Economics, said the growth rate of business investment in equipment and software in the October-December quarter should come in close to 5 percent, an encouraging sign.

Ashworth, however, is also worried about the increase in Social Security payroll taxes. That could make businesses nervous and further slow economic growth.

The economy grew at an annual rate of 3.1 percent in the April-June quarter. The government will provide its first look at overall economic growth in the October-December quarter on Wednesday. Many analysts think growth slowed in the last quarter of 2012 to less than 2 percent.

The government releases its first estimate of economic growth for the fourth quarter on Wednesday.