

FedEx workers sort packages in Oakland, Calif. U.S factory orders increased 1.8 percent in December. BEN MARGOT/AP

Factory orders up 1.8 percent in December

Gains strong in spending on durable goods, military and civilian aircraft

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. factory orders increased in December even though companies trimmed their orders for goods that signal investment plans.

Factory orders rose 1.8 percent in December compared with November, when orders had fallen 0.3 percent, the Commerce Department said Monday.

But demand for core capital goods, a category considered a proxy for business investment plans, dipped 0.3 percent in December following strong gains of 3.3 percent in November and 3 percent in October.

Orders for durable goods, items expected to last at least three years, rose 4.3 percent, slightly below the 4.6 percent estimated in a preliminary report. The increase reflected strong gains for military and civilian aircraft.

Orders for non-durable goods such as petroleum products, chemicals and paper, declined 0.3 percent in December after a 1 percent drop in November. The weakness reflected declines in petroleum products, a drop that was related to declines in energy prices during the month.

For the year, total factory orders rose 3 percent to $5.66 trillion. This reflected a slowing in the manufacturing sector following an 11.8 percent rise in orders in 2011. Demand for investment goods fell 0.3 percent to $759.4 billion.

The overall economy actually contracted in the October-December quarter at an annual rate of 0.1 percent, the first negative reading since the recession was ending in the summer of 2009. The decline reflected a big drop in defense spending, slower business stockpiling and a fall in exports.

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The Institute for Supply Management reported that manufacturing grew at a faster pace in January, driven by an increase in new orders and more hiring at factories.

» The institute's manufacturing index rose to 53.1 from 50.2 in December. It was the highest reading since April.

However, other parts of the economy showed strength including housing and business investment on equipment and software, which rose at an annual rate of 12.4 percent, the best showing in more than a year and a rebound from a decline in business investment in the July-September quarter.

In other signs that the economy could be strengthening, the government reported Friday that employers added 157,000 jobs in January and job growth at the end of 2012 proved stronger than initially thought.