



Orders to U.S. factories for long-lasting manufactured goods like these John Deere tractors for sale in Virden, Ill., increased in December. SETH PERLMAN/AP

Orders for durable goods orders on rise

Businesses boosted spending in December, signaling more growth

By Martin Crutsinger
The Associated Press

WASHINGTON — A rebound in business spending on machinery and equipment lifted orders for long-lasting manufactured goods in December, offering more evidence that the economy is gaining momentum at the start of the year.

Orders for durable goods — products that are expected to last at least three years — rose 3 percent last month, the Commerce Department said Thursday. And so-called core capital goods, which are viewed as a good measure of business investment plans, hit an all-time high.

Economists noted that a surge in volatile demand for commercial aircraft also boosted or-

ders. And businesses likely stepped up spending to take advantage of a tax break on equipment, which expired at the end of December.

Still, most analysts saw the report as an encouraging sign for growth in early 2012.

Ian Shepherdson, chief U.S. economist at High Frequency Economics, said bank lending to businesses is accelerating, which should lead to a "huge wave of catch-up" spending by smaller firms.

"This could be a last-gasp surge ahead of the expiration of the 100 percent tax deduction ... but we doubt it," Shepherdson he said. "The underlying trend in orders is rising strongly."

A sign of that spending was evident after Caterpillar said its

fourth-quarter profit jumped 60 percent. The world's largest maker of construction and mining equipment also issued 2012 guidance above Wall Street predictions.

Economists pay close attention to core capital goods, such as computers and machinery, because they are viewed as a good way of gauging business investment plans.

Demand for these goods rose a solid 2.9 percent in December. And the increase pushed orders for core capital goods to a record \$68.9 billion.

Orders have climbed more than 45 percent since hitting a recession low in April 2009. That has kept factories busy and helped the economy grow at a slow but steady pace.

Companies are hiring more, factories are making more goods and more people are buying cars.