Durable goods show strength



AMY SANCETTA / The Associated Press

The Commerce Department said Wednesday demand for durable goods rose 1.8 percent last month, far better than the 0.6 percent decline economists expected.

Rise in orders produces gains for factories

By Martin Crutsinger
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WASHINGTON — Orders to U.S. factories for manufactured goods from computers to aircraft surged in May for a second straight month. And a gauge of business investment rose last month by the most in nearly five years. Together, the data Wednesday signal the recession could be near a bottom.

The 1.8 percent increase in durable goods orders in May reported by the Commerce Department was far better than the 0.6 percent decline that economists expected. It matched the rise in April, with both months posting the best performance since December 2007, when the recession began.

Orders for non-defense capital goods, a proxy for business investment plans, jumped 4.8 percent, the biggest increase since September 2004. That could signal that businesses have stopped trimming their investment spending.

The back-to-back monthly gains in orders for durable goods — items expected to last at least three years — were further evidence that a dismal stretch for U.S. manufacturers may be nearing an end. But analysts say any sustained rebound is months away.

Rebecca Blank, undersecretary of commerce for economic affairs, cautioned against reading too much into the big jump in durable goods orders due to the volatile nature of the data. But she said the report appears to show that the recent plunge in activity has subsided.

"The $64,000 question is how long we will be in this flat period," Blank said in an interview. "You don't want to call too much of a recovery yet."

Private economists also were cautious. They noted all the problems still facing the economy, including rising unemployment, record levels of home foreclosures and spreading global economic weakness that's depressing U.S. exports.

"The U.S. factory sector still has a long way to go and is facing the headwind of one of the deepest global contractions in a generation," said Cliff Waldman, an economist with the Manufacturers Alliance/MAPI.

Brian Bethune, chief U.S. financial economist at IHS Global Insight, was a bit more optimistic. He said the economy was nearing a turning point "from recession to recovery."