US firms boost investment in durable goods

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WASHINGTON — U.S. companies invested last month in computers, communications equipment and machinery, boosting capital goods orders for the third time in four months.

The 4.1 percent increase to capital goods in August signaled a rebound in business spending after orders fell 5.3 percent in July. It also suggests manufacturing, which has helped drive economic growth since the recession ended in June 2009, is still a bright spot in a weak recovery. Still, some economists worry it has lost some strength in recent months.

The overall demand for durable goods fell 1.3 percent in August, the Commerce Department said Friday. But that was pulled down by a significant drop in orders for aircraft. When excluding the volatile transportation sector, orders rose 2 percent — the best showing in five months.

The capital goods category excludes transportation and defense goods. It is seen as a good proxy for business and economists watch it closely.

Business spending on equipment and software has been growing at a 20 percent annual rate over the past three quarters.

Economists had worried that July's decline in spending on capital goods was a sign that the sector was losing strength. August's figures suggest manufacturing activity is growing, but economists remain concerned about its sustainability.

"Though downshifting a tad, business capital spending remains one of the few consistent bright spots on the economic landscape," said Sal Guatieri, senior economist at BMO Capital Markets.

Orders for machinery rose 3.9 percent in August after tumbling 9.6 percent in July. Demand for computers and related products was up 12 percent. Orders for communications equipment rose 9.2 percent last month. Orders for primary metals rose 2.4 percent.

Durable goods are items expected to last at least three years, such as refrigerators, automobiles and washing machines.

The overall decline in August was the largest since a 2.6 percent decrease in August 2009 and the third overall decline in four months.

Demand for transportation goods fell 10.3 percent last month, after having been up 11.6 percent in July. The swing reflected a 40.2 percent plunge in orders for commercial airplanes, a volatile category which had surged 69 percent in July. Boeing Co. saw its orders climb to 103 planes in July and then drop to just seven planes in August.

Orders for motor vehicles and parts fell 4.4 percent in August after a 4.6 percent increase in July.

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