Factory Orders Rise Unexpectedly In March

Manufacturing.net

WASHINGTON (AP) -- Orders to U.S. factories rose a surprising 1.3 percent in March with widespread gains in many industries offsetting a big drop in commercial aircraft.

Outside of the volatile transportation category, factory orders were up by the largest amount in more than nine years. The increase offers further evidence that U.S. manufacturers are a consistent source of strength driving the recovery.

The Commerce Department said Tuesday total factory orders rose 1.3 percent in March, much better than the 0.1 percent decline analysts had expected. Excluding transportation, orders were up a sizable 3.1 percent, the biggest gain since August 2005.

A separate report Tuesday showed the number of buyers who signed contracts to purchase homes surged more than expected in March, another sign that government incentives are propelling the housing market this spring.

The National Association of Realtors said its seasonally adjusted index of sales agreements for previously occupied homes rose 5.3 percent from a month earlier to a reading of 102.9. It was the highest level since October and a 21 percent increase from the same month a year earlier.

The two reports offered more proof that the U.S. recovery is gathering steam. But Wall Street appeared to be more focused on the growing debt crisis in Europe. Stocks slid at the opening bell and the Dow Jones industrial average was down about 150 points in early trading.

At the moment, manufacturing is the leading star of the economic rebound and economists are predicting that will continue for the rest of the year, helping to offset weakness in other areas. Manufacturers are benefiting not only from the rebound in the United States but also rising demand for U.S. exports as the global economy recovers at a faster rate than had been expected.

For March, demand for durable goods, items expected to last at least three years, fell 0.6 percent, a better showing than a preliminary report on April 23 which had put the decline in durable goods at 1.3 percent.

The overall durable goods number was heavily influenced by a big swing in commercial aircraft, a volatile category, which plunged 66.9 percent in March after having posted huge gains in the two previous months.

Total transportation orders were down 12.3 percent. That was the biggest drop since June of last year as a 2.7 percent rise in demand for motor vehicles and parts only partially offset the plunge in aircraft.

But excluding transportation, factory orders posted a 3.1 percent rise, the best showing since a 3.6 percent increase in August 2005.

The strength in other industries was widespread, Orders for primary metals, including iron and steel, increased 4.7 percent while demand for machinery was up 8.6 percent, led by a 28.1 percent surge in construction machinery.

Orders for computers and other electronics products increased 22.7 percent.

The report showed that demand for nondurable goods, products such as oil and chemicals, rose 2.9 percent in March. The strength in nondurables included strong increases in demand for petroleum, chemicals and tobacco.

"Manufacturing is leading the way for the economy at the moment and I expect that will continue for quite some time," said Mark Zandi, chief economist at Moody\'s Analytics. "I am looking for manufacturers to experience strong growth for the next several years."

The Institute for Supply Management reported Monday that its closely watched gauge of manufacturing activity rose to 60.4 in April, up from 59.6 in March.

That was the strongest reading in nearly six years and represented the ninth straight month that the index has signaled growth in manufacturing. A reading above 50 indicates manufacturing is expanding while readings below 50 signal that the factory sector is contracting.

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