ISM Manufacturing Index Expected To Improve For May

NEW YORK (AP) — Economists expect an index measuring the manufacturing sector's health to have contracted at a slower pace in May than in the previous month.

Analysts polled by Thomson Reuters expect the index from the Institute for Supply Management, a trade group of purchasing executives, will come in at 42 for May compared with 40.1 in April. A reading below 50 indicates contraction.

If the analysts are right, it would be the 16th consecutive month of contraction.

The index, which is made up of indicators including new orders, production, employment, inventories, prices, and export and import orders, is scheduled for release at 10 a.m. EDT Monday. It is based on a survey of the Tempe, Ariz.-based group's members.

The index hit a 28-year low of 32.9 in December, but the pace of contraction has been steadily moderating throughout the spring.

Early signs of a possible turnaround in manufacturing include a report from the Commerce Department last week showing that demand for big manufactured goods rose 1.9 percent in April, the biggest gain in 16 months. Orders for durable goods have risen in two of the past three months.

Oil prices shot up to a six-month high above $66 a barrel on Friday as investors placed bets on an economic recovery, which would require increasing amounts of oil to power factories and transportation, despite crude stocks near two-decade highs.

In May, the Federal Reserve said the country's industrial production fell by 0.5 percent in the previous month — the smallest decline in 6 months. But the measure of output of the country's factories, mines and utilities was still down 16 percent since the recession's start in December 2007. The operating rate for industrial producers was at its lowest level since 1967 in April as the sector idled plants and other equipment.

Consumer spending is also still weak, and major manufacturers have filed for bankruptcy protection and continue to announce layoffs.

Computer maker Hewlett-Packard Co. also in May said it would lay off 6,400 employees, and likely more, as it still can't predict an improvement in demand from consumers and corporations for its PCs.

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