Manufacturing Indexes Showing Growth After 18 Months

NEW YORK (AP) — U.S. manufacturing, aided by government rebates to first-time homebuyers and car buyers, likely experienced some growth in August after shrinking for 18 months.

Economists expect a national measure of manufacturing activity to show the sector grew last month. That hasn't happened since January 2008, as a recession triggered by the U.S. housing sector caused a meltdown in consumer demand and global trade.

Analysts polled by Thomson Reuters expect the index from the Institute for Supply Management, a trade group of purchasing executives, will read 50.5 in August, compared with 48.9 in July. A reading below 50 indicates contraction.

The index has been showing slower rate of contraction every month since December, when it hit a 28-year low of 32.9.

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

In the U.S., government spending and customers needing to restock their shelves are helping manufacturers ramp up.

The government said last week that orders for durable goods rose 4.9 percent in July, the third increase in four months. That was the biggest gain in two years, driven by commercial aircraft orders and demand for new cars.

The Cash for Clunkers program, which ended in August and provided rebates of up to $4,500 to consumers who traded in old cars for more fuel-efficient makes, helped propel auto sales — and production.

GM, Hyundai, Toyota and Ford have all ramped up production of their more efficient models because of inventory shortfalls. Their August sales data also are due Tuesday.

Chrysler had said it was adding overtime at many plants to respond to demand for 2010 models. Ford assigned workers at a Claycomo, Mo., plant two days of work during a planned shutdown week last month to meet third-quarter production demands, and said all 2,800 workers at a Dearborn, Mich., truck plant would resume full-time shifts in late September, rather than rotating work crews each week.

That doesn't mean U.S. manufacturing jobs are coming back, despite the Obama administration's investments in car batteries and other green technology. Some 2 million manufacturing-sector workers have lost their jobs since the recession began, according to the Labor Department.

Appliance maker Whirlpool Corp. last week said it would close its refrigerator factory in Evansville, Ind., and 1,100 job cuts. Whirlpool said it would shift production of refrigerators with freezers on top to a site in Mexico, where labor costs are cheaper.

A weaker dollar, productivity gains and curtailed labor costs mean the manufacturing sector will remain competitive, adding to the gross domestic product — even if its job rolls don't grow, said Bank of America Merrill Lynch analysts. U.S. GDP shrank 1 percent in the second quarter, but many economists expect growth returned during the summer.

New home sales jumped almost 10 percent from June to July, and building permits rose 6 percent, said the Commerce Department. First-time homeowners grabbing a federal tax credit that cuts up to $8,000 from a home's price before it expires in November helped boost sales.

The improvements at home, where the manufacturing sector makes up nearly 12 percent of U.S. gross domestic product, mirror improvements abroad. Factory output rose for the fifth straight month in Japan in July. The German and French economies, Europe's two biggest, grew in the second quarter. Euro zone business and consumer confidence rose in August as companies said they now expect more exports, more domestic orders and higher output.

And China's exports, retail sales and factory output also improved in July, according to official statistics.