The 'Clouds Are Breaking' On Manufacturing

WASHINGTON (AP) — Industrial production is growing more strongly, more evidence that manufacturing is helping to power the economic recovery.

Output at the nation's factories, mines and utilities rose 0.6 percent in April, according to economists surveyed by Thomson Reuters. If they are right, that would mark an improvement from the 0.1 percent gain logged in March. It also would be the strongest performance since January.

Factories are boosting production because companies are starting to restock depleted inventories. Both consumers and businesses are showing a greater appetite to spend now that the economy is healing. During the recession, companies slashed inventories at a record pace as Americans and foreign customers pulled back.

Industrial activity in March was tempered by a sharp drop in production at gas and electric utilities. Warmer spring weather cut demand.

However, manufacturing performed well during that month. Factory production, the biggest slice of industrial production, grew by 0.9 percent. Output at mines also rose.

Stronger manufacturing activity has prompted factories to step up hiring.

Manufacturers added 44,000 jobs in April, the most since 1998, the government reported last week. Businesses that produce fabricated metal products, machinery, electrical equipment and appliances, plastics, food, and paper products all posted job gains.

All told, employers added 290,000 jobs last month, the most in four years.

More companies — including Ford, Caterpillar and Whirlpool — are seeing profits grow. General Electric says the "clouds are breaking" after having suffered one of its worst years in 2009.

Improved industrial activity also is lifting the operating rate at factories, mines and utilities. Economists predict that industrial companies' operating rate rose to 73.7 percent in April, up from 73.2 percent in March.

During the recession, so-called capacity utilization rates fell to the lowest readings on records dating to 1948. Even with the pick up, factories and other industrial companies are operating well below full throttle. Economists refer to this as "slack" in the economy.

That slack, along with a fragile jobs market, is likely to keep a lid on inflation, the Federal Reserve says.

Companies aren't likely to jack up prices any time soon. Even though shoppers are spending more, they aren't doing so with the kind of abandon typically seen in the early stages of economic recoveries. And workers aren't likely to get hefty pay increases from employers given prospects for a moderate, rather than booming, recovery.

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