Manufacturing Expands At Six-Year High In April

NEW YORK (AP) — The manufacturing sector likely expanded in April at the fastest pace in nearly six years, analysts say.

Economists polled by Thomson Reuters expect the index from the Institute for Supply Management, a trade group of purchasing executives, rose to 60 in April from 59.6 in March.

A reading above 50 indicates growth, and a reading of 60 would be the highest since June 2004.

ISM's manufacturing index, which is due out Monday at 10 a.m. EDT, first showed growth in August after 18 months of contraction.

April would be the ninth straight month of expansion. Factories boosting production to help customers restock dwindling supplies and shipping goods overseas has helped power the economic recovery for nearly a year.

The U.S. economy grew 5.6 percent in the fourth quarter of last year and 3.2 percent in the first quarter, due in large part to inventory restocking.

Economists now are interested in the sustainability of the recovery. Manufacturers have ramped up production because customers' inventories were so low. As inventories return to historically normal levels, production may slip lower without more demand from consumers. That may discourage employers from adding back many of the full-time jobs they cut during the recession.

ISM's employment index has grown in five of the past six months. The index is a measure of factory managers' willingness to hire. In the first three months of the year, the manufacturing sector has added 45,000 jobs, according to the Department of Labor.

Large manufacturing companies, such as Caterpillar Inc., Ford Motor Co. and Whirlpool Corp. reported strong first-quarter profit, but aren't necessarily ready to commit to adding jobs.

Caterpillar has recalled about 2,000 people after cutting about 37,000 full-time, part-time and temporary jobs last year. The company is increasing production, but still has excess capacity in its factories. That means more hiring may not be necessary for a long time.

Automaker Ford made $2.1 billion in the first three months of the year, but continued to cut workers.

Employers have cut more than 2 million jobs since the recession began, according to the Department of Labor.

And manufacturing jobs make up less than 10 percent of the U.S. workforce. Even a strong increase in hiring may not bring down the 9.7 percent unemployment rate by much.