

Factory Output Soared In December

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WASHINGTON (AP) — U.S. factory output surged in December by the most in year. Stronger demand for business equipment, vehicles and energy offered the most visible evidence that manufacturing has roared back from the depths of the recession.

The Federal Reserve said Wednesday that manufacturing increased 0.9 percent in December, the biggest gain since December 2010. And the overall output of the nation's factories, mines and utilities grew 0.4 percent in December. Warm weather dampened demand for energy produced by utilities.

Industrial output is less than 5 percent below its pre-recession peak, reached in September 2007. It has increased more than 14 percent since hitting a recession low in June 2009.

Manufacturing activity remains nearly 8 percent below its pre-recession peak in July 2007. Yet it has increased almost 15 percent from its recession low. The recession hit manufacturing harder than the overall industry, so its path to recovery has been a little slower.

Factories benefited in the second half of 2011 from a number of trends. Consumers bought more cars. Businesses boosted spending on industrial machinery and computers. And companies are restocking their warehouses again after cutting inventories over the summer.

Still, Europe's debt crisis has already started to dampen demand for American exports. That could slow manufacturing and threaten growth in the 2012.

In December, factories made more goods that are used early in the production process — construction materials, metals and wood products. That typically signals that production of finished products will increase in the coming months.

Other reports showed manufacturing is picking. New orders rose and production increased last month, according to a private survey by the Institute for Supply Management. The government said factories hired a net 23,000 workers — the best job growth for the sector since July.

The New York and Philadelphia regions also saw a rise in demand for goods at the end of the year, according to surveys by the Federal Reserve banks in those areas. And the Federal Reserve Bank of New York said Tuesday that January's growth in the region was the best in nine months.

In November, industrial production declined for the first time in seven months. And factory production, the biggest single element of industrial production, fell.

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Manufacturers produced fewer cars, home appliances, electronics and business equipment.

Economists blamed temporary factors for the decline, such as severe flooding in a region of Thailand that produces hard drives for many of the world's computers.

Prior to November, factory output was strengthening after a spring slump brought on in part by the Japan earthquake and tsunami. That disrupted supply chains, which slowed U.S. auto production.

Car and truck manufacturers are busy again. U.S. automakers said November and December were the best sales months in 2011. GM's December sales rose 5 percent, Ford's climbed 10 percent and Chrysler's surged a whopping 37 percent.

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