

Manufacturing Grows At Fastest Pace In 6 Months

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WASHINGTON (AP) — Manufacturing grew in December at the fastest pace in six months and hiring at U.S. factories picked up. The data helped bolster the view that the economy gained momentum at the end of last year.

The Institute for Supply Management, a trade group of purchasing managers, said Tuesday that its manufacturing index rose to 53.9 from 52.7 in November. Readings above 50 indicate expansion.

Stocks surged in the first day of trading for 2012, in part because of reports that manufacturing grew in China and India in December, two of the world's largest economies. The report on U.S. factory growth added to those early gains on Wall Street.

The Dow Jones industrial average rose more than 250 points in the first hour of trading. Broader indexes also posted gains.

U.S. manufacturing has expanded for more than two years. Factories were one of the first areas of the economy to start growing after the recession officially ended in June 2009.

The latest ISM survey showed that U.S. factories should start the year strongly. Factories hired last month at the fastest pace since June, the survey found. A measure of new orders rose, a good sign for future output. And exports also increased last month, though it's not clear how long that will last. Europe's economy is faltering amidst a debt crisis.

Consumers are gaining confidence and are spending more. Some economists forecast that car sales increased in December after a strong month of sales in November. That should boost output among automakers and also steel companies, tire makers and others that supply the industry.

Orders for long-lasting manufacturing goods jumped in November, the Commerce Department said last month. Most of that increase reflected a huge rise in commercial aircraft orders, a volatile category.

Still, demand for core capital goods, which are often a proxy for business investment plans, fell for the second straight month. Business spending has been a key driver of economic growth in 2011. If businesses cut back on spending, economic growth is likely to slow.

Businesses are less likely to retreat, however, if the economy continues to improve.

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The Conference Board said last week that its consumer confidence index rose in December to the highest level since April. That's important because consumer spending accounts for about 70 percent of the economy.

And the number of people applying for unemployment benefits each week is dropping steadily, evidence that companies are cutting fewer jobs. Weekly applications have dropped by 10 percent in the past three months.

Employers are hiring more workers, too. The economy generated an average of 143,000 net jobs a month from September through November. That's almost double the pace for the previous three months.

The economy likely grew at an annual rate of 3 percent or more in the final three months of this year, analysts say. That would top the 1.8 percent growth rate in the July-September quarter, and the 0.9 percent growth rate in the first half of the year.

Analysts forecast a modest expansion of 2.4 percent in 2012, an Associated Press survey of economists found.

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