U.S. Manufacturing Grows At Fastest Pace Since June

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WASHINGTON (AP) — U.S. manufacturing grew last month at the fastest pace in 10 months. New orders, production and a measure of hiring all rose.

The strength at U.S. factories suggests the economy is healthier than recent data had indicated. That's a hopeful sign ahead of Friday's report on hiring in April.

The Institute for Supply Management, a trade group of purchasing managers, said Tuesday that its index of manufacturing activity reached 54.8 in April. That's the highest level since June and up from 53.4 the previous month. Readings above 50 indicate expansion.

The report, which exceeded analysts' expectations, led investors to shift money out of bonds and into stocks. The flurry of stock buying put the Dow Jones industrial average on track for its highest close in more than four years.

The manufacturing index for April is closely watched in part because it's the first major economic report for the month. The big gain followed a series of weaker data in recent weeks that had pointed to slower hiring, increased applications for unemployment benefits and lower factory output.

"This survey will ease concerns that the softer tone of the incoming news in recent months marked the start of a renewed slowdown in growth," Paul Dales, an economist at Capital Economics, said in a note to clients. "We think the latest recovery is made of sterner stuff, although we doubt it will set the world alight."

A measure of employment in the ISM's survey rose to a 10-month high. This showed that factories are still hiring at a solid pace.

A gauge of new orders jumped to its highest level in a year. That could signal faster production in the coming months. Export orders also rose, which could offset worries that weaker economies in Europe and China could drag on U.S. exports.

A separate report showed that construction spending eked out a gain in March after declining the two previous months. The Commerce Department said construction spending edged up 0.1 percent.

Spending on single-family home construction rose, as did commercial projects. Those gains offset steep cutbacks in state and local government building. Even so, economists noted that the pace of private construction in recent months remains weak.

Factories have been a key source of hiring and growth since the recession ended nearly three years ago. The sector has expanded for 33 straight months, according to the ISM's index.

Factories account for only about 9 percent of total payrolls but added 13 percent of the new jobs last year. Manufacturers have added 120,000 jobs in the past three months, about one-fifth of all net gains.

Previous reports on manufacturing have been negative. Factory output fell in March, the Federal Reserve said last week. Companies made fewer electronic products and cut back on steel and other metals. That decline came after three months of strong gains. But economists said the slight downturn wasn't enough to suggest a major slowdown.

Still, consumers cut back last month on purchases of big-ticket items such as automobiles and appliances. And while the job market is improving, incomes are barely growing. That could weigh on consumer spending in the coming months.

Business investment is also slowing. Companies increased their spending on equipment and software at the slowest pace in nearly three years in the January-March quarter, the government said last week.

Economists nevertheless expect most of the challenges to be temporary. Companies may be ordering less heavy equipment because an investment tax credit expired at the start of the year. Orders are likely to rebound later this year, economists say.

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