U.S. Manufacturing Grows For 1st Time In 4 Months

Christopher S. Rugaber, AP Economics Writer

WASHINGTON (AP) — U.S. manufacturing grew for the first time in four months, buoyed by a jump in new orders and more jobs. The increase is a hopeful sign that the economy may be improving after a weak stretch.

The Institute for Supply Management, a trade group of purchasing managers, said Monday that its index of factory activity rose to 51.5. That's up from 49.6 in August.

A reading above 50 signals growth and below indicates contraction. The index had been below that threshold from June through August.

Most economists were encouraged by the report after weak consumer spending and fewer exports slowed factory production in the spring. Still, they cautioned that economic growth is likely to stay modest until hiring accelerates and consumers spend more.

The reading "will boost hopes that some of the recent slowdown in economic growth was just a summer phenomenon," Paul Dales, an economist at Capital Economics, said in a note to clients.

Investors, nonetheless, appeared pleased. Stocks increased their gains after the report was released. The Dow Jones industrial average had been up nearly 100 points before the report came out. It jumped to 150 points up within 10 minutes of the release.

Separately, the government said U.S. builders spent more on home construction in August, adding to evidence that housing is recovering.

Overall construction spending dipped 0.7 percent, the Commerce Department said, as spending on commercial projects such as office buildings and shopping centers fell.

In the manufacturing survey, a measure of new orders jumped to 52.3, the highest reading since May. That suggests production will increase in the coming months.

And a gauge of employment rose, a sign that manufacturers may report a gain in jobs when September's employment report is released Friday. Manufacturers shed workers in August.

Manufacturers also said they are facing rising costs for corn, fuel and several other commodities.

The improvement at U.S. factories comes even as growth is slowing overseas. Europe's financial crisis has pushed many countries in the region into recession. Growth in emerging nations such as China and India has slowed.

China's manufacturing sector shrank in September, according to a survey by a Chinese trade group. But its measure of factory activity rose for the first time in four months, to 49.8, from 49.2.

The U.S. economy grew at an annual rate of just 1.3 percent in the April-June quarter, down from a 2 percent growth rate in the January-March quarter.

Most economists expect growth will stay near or below 2 percent for the rest of this year. Growth at that pace is typically too weak to lower the unemployment rate.

Employers added 96,000 jobs in August, lower than July's total and far below the average of 226,000 a month in the first three months of the year.

The unemployment rate dropped to 8.1 percent from 8.3 percent in July. But that was only because fewer people were looking for work. The government only counts people as unemployed if they are actively searching for jobs.

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