U.S. Manufacturing Expands At Faster Pace In October

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WASHINGTON (AP) — U.S. manufacturing expanded for the second straight month in October, boosted by growth in new orders and production.

The Institute for Supply Management said Thursday that its index of factory activity rose last month to 51.7, up from September's reading of 51.5. A reading above 50 indicates expansion.

The ISM is a trade group of purchasing managers. Previous surveys showed manufacturing contracted from June through August.

The figure is slightly below the average for the year of 52.2. Other reports have suggested that manufacturing is slowing, hampered by less business investment and fewer exports. But the ISM survey points to continued, if gradual, expansion, driven by increased consumer spending.

The report is the last broad look at U.S. manufacturing conditions before Tuesday's presidential election. The race has been heavily focused on the economy.

Stocks jumped after the release of the October report, along with another report that showed consumer confidence surged last month to the highest level in nearly five years.

The survey was completed before Hurricane Sandy disrupted business activity along the East Coast and cut power to millions of homes, an ISM spokesman said.

The details of the report showed that better consumer spending is helping some industries, while weaker business investment is slowing others.

The industries that reported rising new orders are oriented to consumers. Those industries include furniture, food and beverages, paper products and computer and electronics.

The industries reporting falling orders generally depend more on spending by U.S. and overseas businesses. Those industries included machinery, electrical equipment, steel and other metals, and chemical products.

Businesses have grown more cautious for several reasons. Many are nervous about the economic outlook overseas. Europe's financial crisis has pushed much of the region into recession. That has cut into U.S. exports and corporate profits. Growth has also slowed in China, Brazil and other large developing countries.

Companies also fear large tax increases and big government spending cuts that will kick in next year if Congress fails to reach a budget deal to avert them.

Slowing business investment is weighing on economic growth. Company spending on equipment and software was flat this summer, the first quarter it failed to increase since the recession ended more than three years ago.

The economy grew at a 2 percent annual rate in the July-September quarter, up from 1.3 percent in the April-June quarter. Growth increased because of more consumer and government spending, although the rate is still too weak to rapidly spur job creation.

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