

U.S. Factory Output Rises For 2nd Straight Month

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WASHINGTON (AP) — U.S. factory production rose in December for the second straight month, buoyed by more output of autos, electronics and business equipment.

The Federal Reserve said Wednesday that factory output increased 0.8 percent last month compared with November. That followed a 1.3 percent rise in November, which partly reflected a rebound from Superstorm Sandy.

Total industrial production increased 0.3 percent in December from November. That followed a 1 percent rise in November. Production slowed last month mostly because utility output dropped 4.8 percent, reflecting unseasonably warm weather.

Factory output is the most important component of industrial production. The back-to-back gains offered some hope that manufacturing could be picking up after struggling through most of 2012. But economists said any rebound would likely be modest.

Paul Ashworth, chief U.S. economist at Capital Economics, said that the December report showed that manufacturing was "just about keeping its head above water." Other analysts said they expected slow output gains in 2013.

"While the risk of an actual contraction in U.S. manufacturing output has diminished, the economic and policy climate in the U.S. and throughout the world suggest that slow growth for U.S. factories remains the most likely path for 2013," said Cliff Waldman, senior economist for the Manufacturers Alliance for Productivity and Innovation.

Many factories have been hurt by a slowdown in consumer spending and weaker global growth that has dampened demand for U.S. exports.

One exception has been U.S. auto companies, which boosted production sharply last year to meet the best sales since 2007. December was no different: Production of autos and motor vehicle parts rose 2.6 percent. And analysts are forecasting that Americans will buy even more cars and trucks in 2013.

There have been a few other encouraging signs that factories may be recovering from their slump.

The Institute for Supply Management's closely watched index of manufacturing activity rose to a level that signaled growth in December. And manufacturers added 25,000 jobs last month — the best hiring spree for the sector since May.

Economists believe manufacturing could also get a boost from stronger business

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investment, provided that Congress raises the federal borrowing limit without a fight that damages business confidence. Companies are sitting on large amounts of cash. Analysts believe many are poised to start spending this year on computers, machinery and equipment to expand and modernize their operations.

The overall economy grew at an annual rate of 3.1 percent in the July-September quarter. But analysts believe activity slowed considerably in the October-December quarter to a rate below 2 percent or less, in part because companies cut back on restocking.

Less restocking leads to slower factory production, which weighs on economic growth.

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