Measure Of U.S. Manufacturing Jumps In December

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WASHINGTON (AP) — U.S. manufacturing activity grew at a faster pace in January, driven by an increase in new orders and more hiring at factories.

The Institute for Supply Management said Friday that its index of manufacturing activity jumped to 53.1 in January from 50.2 in December. It was the highest reading since April, when the index hit 54.1.

Any reading above 50 indicates expansion.

The second straight monthly increase in the index showed manufacturing is starting to grow again after struggling through most of 2012. Uncertainty about tax increases and deep government spending cuts led many companies to reduce orders for machinery and equipment earlier this year. And a weaker global economy dampened demand for U.S. exports.

The report was also encouraging because it showed that demand for factory goods increased even as consumers started to pay higher Social Security taxes. That left them with less take-home pay, which could hurt consumer spending.

The survey came hours after the Labor Department reported that the job market held steady at the end of last year even as economic growth stalled. The Labor Department said employers added 157,000 jobs in January and job growth was stronger than previously thought in December and November.

Manufacturers added 4,000 jobs last month, the fourth straight monthly increase.

"There's a fair bit of optimism here to start the year," said Dan Greenhaus, chief global strategist with BTIG LLC, a trading firm based in New York. He said the data show that the economy "is resilient to the debate in Washington" about possible tax increases and spending cuts.

Greenhaus said the solid manufacturing gains, especially in new orders and employment, suggest that "the larger story remains intact, of a moderate, ongoing recovery."

The ISM report showed that 13 of the 18 industries surveyed saw increased activity last month. They included manufacturers of plastics and rubber, textiles, furniture, printing, and apparel. Four industries reporting contraction: minerals, computers and electronics, wood and chemicals.

The survey's new orders index returned to growth, rising to 53.3 in January from

49.7 in December. Companies reported adding to their inventories in January after two months of declines, a sign that factories are preparing to boost production.

Slower growth in stockpiles was a key reason the economy shrank at an annual rate of 0.1 percent in the October-December quarter, the first contraction in 3 ½ years. Deep cuts in defense spending and fewer exports also contributed to the decline.

Most analysts predict that the economy will grow again in the January-March quarter, though likely at a lackluster annual rate of around 1 percent. They expect the economy to expand about 2 percent for the full year.

A big question is how consumers respond to the increase in Social Security taxes. A person earning $50,000 a year will have about $1,000 less to spend in 2013. A household with two high-paid workers will have up to $4,500 less. Taxes rose after a 2 percent cut, in place for two years, expired Jan. 1.

Analysts expect the Social Security tax increase to shave about a half-point off economic growth in 2013, since consumers drive about 70 percent of economic activity.

The ISM is a trade group of supply management professionals. Its index is based on a monthly survey of manufacturing executives.