

NY Factory Activity Grows More Slowly In October

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WASHINGTON (AP) -- Factory activity in the New York region expanded more slowly in October, a sign that the partial government shutdown may be weighing on the economy.

The Empire State manufacturing index fell to 1.5 in October from 6.3 in September, the Federal Reserve Bank of New York said Tuesday. Any reading above zero indicates expansion. Despite the decline, manufacturing in the region has grown for five straight months.

A measure of new orders rose, pointing to healthier future growth. And factories continued to add jobs, albeit at a slower pace.

The New York Fed's regional manufacturing report will receive more attention than usual this month because it's one of the few available measures of the economy during the shutdown, which is now in its third week. Government data, including the monthly employment report and retail sales figures, have been delayed.

The decline suggests that the budget showdown in Washington has hit manufacturers' confidence. The New York Fed surveys about 100 manufacturing firms in the state in the first two weeks of the month to compile its index.

The report "shows some clear strains from the fiscal debacle," said Bricklin Dwyer, an economist at BNP Paribas, in a note to clients.

But economists also pointed out that the drop could have been worse. Paul Dales, an economist at Capital Economics, said the index fell into negative territory during two previous budget battles in 2011 and 2012.

"We don't expect to see a severe slowdown in output growth as manufacturers are benefiting from the turnaround in overseas demand," Dales said.

Lawmakers were busy Tuesday trying to find a way to end the shutdown. They are also facing a Thursday deadline to raise the nation's \$16.7 trillion borrowing limit. Without an increase, the U.S. government is at great risk of defaulting on its debt.

Senate leaders were said to be near a deal that would reopen the government through Jan. 15 and permit the Treasury to borrow normally until early to mid-February. House GOP leaders have yet to embrace the Senate plan and instead floated a counter proposal to their rank and file. But that was met with mixed reviews, leaving any resolution in flux.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

The budget impasse has held back an economy that is already struggling to accelerate, according to the limited data that have been released. The shutdown has furloughed about 350,000 federal workers since Oct. 1 and closed down numerous agencies, including the Labor Department and NASA.

Consumer confidence has fallen sharply this month, according to some measures. Weekly unemployment applications jumped last week, in part because about 15,000 non-federal workers said they were laid off due to the shutdown.

Economists at Bank of America Merrill Lynch have cut their forecast for growth in the October-December quarter to an annual rate of 2 percent, down from 2.5 percent, because of the partial shutdown.

Source URL (retrieved on 12/19/2014 - 7:18am):

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