

Factory Production Rises In October

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) -- U.S. factories increased production for a third straight month in October, as stronger output of primary metals and furniture offset declines in auto production.

Manufacturing output rose 0.3 percent last month, up from 0.1 percent in September, the Federal Reserve reported Friday. Factory output is the biggest component of industrial production, which also includes mining and utilities.

Overall industrial production fell 0.1 percent after a 0.7 percent September gain. The mining sector, which includes oil and gas drilling, declined 1.6 percent after six months of gains. Utility output fell 1.1 percent.

Manufacturing has been gaining strength in recent months. Output has risen in five of the past six months. And factories have stepped up hiring over the past three months, according to the government's October employment report released last week.

Factories are busier in part because overseas growth has picked up and the housing recovery has driven more demand for furniture and other wood products. Automakers are also having their best year for sales since the recession, although production of motor vehicles and parts fell 1.3 percent in October after two months of gains.

Output of primary metals such as steel rose 1.1 percent and furniture production was up 1.5 percent.

Economists were encouraged by the gains in manufacturing after a period of weakness in the spring and early summer. They predicted those increases would continue, helped by strengthening overseas demand and less impact from federal government spending cuts and tax increases.

"As long as the overseas recovery continues and the domestic fiscal drag fades, output should continue to grow at reasonable rates," said Paul Dales senior U.S. economist at Capital Economics.

The government report was the latest sign of strength for manufacturing. A private sector report from the Institute for Supply Management showed factory activity climbed to a 2 ½ year high in October. The group's manufacturing index has risen for five straight months. The October gain was especially encouraging because it showed the federal government's 16-day partial shutdown had little effect on manufacturers.

The overall economy grew at an annual rate of 2.8 percent in the July-September

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quarter. But 0.8 percentage point of that growth came from a buildup in business stockpiles. Many economists believe businesses will cut back on stockpiling in the current October-December period and that will slow growth.

Manufacturers are hoping that rising export sales will offset weakness in domestic demand.

Through the first nine months this year, exports are up a modest 1 percent. U.S. companies have had to deal with weakness in Europe, which has cut into sales in that important market.

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