

U.S. Manufacturing Expanded Much Slower in January

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WASHINGTON (AP) — U.S. manufacturing barely expanded last month, in part because cold weather delayed shipments of raw materials and caused some factories to shut down.

The report from the Institute for Supply Management, a trade group of purchasing managers, contributed to a plunge on Wall Street. The manufacturing report raised the possibility that the U.S. economy might be starting to weaken.

The Dow Jones industrial average tumbled 326 points — more than 2 percent. The Dow has sunk 7 percent so far in 2014.

The ISM said Monday that its index of manufacturing activity fell to 51.3 in January from 56.5 in December. It was the lowest reading since May, though any reading above 50 signals growth. Manufacturers said export orders grew at a healthy pace but slightly less than in the previous month.

The figures suggest that U.S. manufacturing is slowing after a strong finish to last year. Auto sales have decelerated, and businesses are spending cautiously on machinery and other large factory goods. The slowdown means that economic growth in the first three months of this year will probably come in below the strong 3.6 percent annual pace in the second half of 2013.

In addition, China's factory output grew at a slower pace in January, a government report over the weekend showed. That report added to concerns that the world's second-largest economy is weakening.

On the positive side, a measure of Europe's manufacturing sector showed that it expanded at the fastest pace in nearly three years.

Some economists cautioned against reading too much into Monday's report on U.S. manufacturing, given the weather impact. George Mokrzan, chief economist at Columbus, Ohio-based Huntington Bank, said there were some "very unusual shutdowns as a result of the cold weather" at auto plants and other factories.

"I'd be a little bit cautious about interpreting too much from this report," Mokrzan said. "If we don't get a bounce next month, I would start asking deeper questions."

Monday's report showed that a measure of new orders plummeted 13.2 points to 51.2. That is the steepest drop since December 1980. A gauge of production also fell. Factories added jobs, the report showed, but at a slower pace.

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Bradley Holcomb, chair of the ISM's survey committee, said cold weather affected the report in several ways. Factory closings led to lower output and caused manufacturers to receive fewer new orders. Stockpiles of raw materials also fell as trucking routes were closed and shipping was delayed.

Other recent indicators have painted a mixed picture of manufacturing.

Factory output rose for a fifth straight month in December, according to the Federal Reserve. Manufacturers cranked out more cars, trucks, appliances and processed food.

But businesses are still spending cautiously. Orders for machinery and other large factory goods fell in December.

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