U.S. Manufacturing Expands as Orders Increase

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WASHINGTON (AP) — U.S. manufacturing expanded more quickly last month as companies received more orders and boosted their stockpiles.

A measure of production fell to its lowest level in nearly five years, likely a casualty of severe winter weather. But the rise in orders raises the possibility that factory output will rebound in coming months, economists said.

The Institute for Supply Management, a group of purchasing managers, said Monday that its manufacturing index rose to 53.2 in February from 51.3 in January. The increase only partly reversed a five-point drop in January from December.

Still, any reading above 50 signals growth. And economists were encouraged by the increase in both new and backlogged orders.

Growth in February was also broad-based: Fourteen of the 18 industries that are tracked by the survey reported growth. That was up from 11 industries in January. The industries reporting expansion included machinery, plastics, transportation equipment and paper products.

"We expect a substantial rebound ... when weather patterns eventually normalize," said Joseph LaVorgna, an economist at Deutsche Bank.

A gauge of employment was unchanged at 52.3, suggesting that factories added only a modest number of jobs last month.

Bradley Holcomb, chair of the ISM's survey committee, said many businesses blamed bad weather for a slowdown in their output.

"Other comments reflect optimism in terms of demand and growth in the near term," Holcomb said.

The production index fell to its lowest level since May 2009. And the slowdown in output caused manufacturers' stockpiles of raw materials and parts to surge by the most in 25 years.

The weather also disrupted the shipping of raw materials, leaving manufacturers with only some of the supplies they needed to produce goods, Holcomb said. That slowed production and left more parts sitting in warehouses, thereby swelling inventories.

The report coincided with data showing that China's manufacturing weakened in February and that employers cut staff at the fastest rate in nearly five years. It was further evidence that growth in the world's second-largest economy is cooling.

"Weak China ... is now a real problem," Ian Shepherdson, an economist at Pantheon Macroeconomics, said in a note to clients.

Overall, the outlook for U.S. factories is mixed. Last year, they were cranking out appliances, autos and other goods at a healthy pace until harsh winter weather disrupted production.

The ISM's index rose for six straight months until dipping slightly in December. That was followed by January's sharp fall as heavy snow caused factories to close.

Auto and home sales slumped in January as fewer Americans ventured outdoors to take a test drive or check out homes for sale. Car sales slipped 3 percent, while sales of existing homes plunged to their lowest level in 18 months.

In response, factories cut back on the production of autos, furniture and appliances. Factory output dropped sharply in January, according to the Federal Reserve.

And businesses remain cautious about ordering more machinery, metal parts and computers. Orders for durable goods fell for the second straight month in January, the government said last week. Durable goods are those meant to last at least three years.

Core capital goods, which exclude defense goods and aircraft, rose, a sign that businesses stepped up investment. But the increase came after a slightly larger decline in December.