

US Factory Output Rebounded in May

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WASHINGTON (AP) — U.S. manufacturing output rose in May after shrinking in April, led by greater production of autos, computers and furniture.

The gains show that Americans, buoyed by steady job gains, are buying more cars while businesses are ordering more machinery and other goods. Those trends are fueling factory production and driving growth. Analysts think the U.S. economy is rebounding after contracting in the first three months of the year.

Factory output rose 0.6 percent in May after dipping 0.1 percent the previous month, the Federal Reserve said Monday. April's figure was revised upward from an initial estimate of a 0.4 percent decline.

Overall industrial production, which includes manufacturing, mining and utilities, also rose 0.6 percent in May. It had fallen 0.3 percent in April.

Mining output, which includes oil and gas production, jumped 1.3 percent, while utility output declined 0.8 percent, its fourth straight drop.

"If you're looking for yet another sign of an upturn ... you've got one," said Jennifer Lee, an economist at BMO Capital Markets.

The nation's factories are running at 77 percent capacity, the most in six years, though still 1.7 percentage points below the long-run average. As factories move closer to full capacity, factory owners will face pressure to invest in plants and equipment, a trend that could boost the economy.

The data follows other recent reports that also point to steady increases in factory production. Auto sales reached a nine-year high in May as Americans ramped up purchases of SUVs and pickup trucks.

A survey this month by the Institute for Supply Management, a trade group of purchasing managers, found that manufacturing expanded faster in May than in April. Growth was broad based across nearly all the 18 sectors the survey covers.

And the ISM survey's measure of orders rose, a sign that output should remain healthy in the months ahead.

Manufacturers are hiring more to keep up with demand. Factories added 10,000 positions in May, and the average work week for manufacturing employees grew.

Greater factory output would help drive growth after the U.S. economy shrank at a 1 percent annual rate in the first quarter, though recent reports indicate that the contraction was probably larger. Many economists now think the government will

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say the economy shrank at a 2 percent pace when it revises its estimate next week.

Still, most analysts expect the economy to rebound and grow at a roughly 3.5 percent annual pace in the second quarter and at a 3 percent rate in the second half of the year.

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