Strong signs of recovery



Greg Yates works at JV Northwest, which makes stainless steel vessels, in Canby, Ore. The manufacturing sector expanded in December. RICK BOWMER/AP

Factories, builders boost economy, raise confidence

Manufacturers hired more workers; even construction spending is up

By Christopher S. Rugaber
The Associated Press

WASHINGTON — U.S. manufacturers ended 2011 with their best month of growth since the late spring. And the struggling construction industry spent more on projects for the third time in four months.

The data bolstered hopes that the economy is gaining momentum.

Factories hired more workers in December, saw the most growth in new orders since April and ramped up production.

U.S. builders spent more in November on single-family homes, apartments and remodeling projects.

The strong reports correspond with other positive signs for the economy. Consumer confidence is up, unemployment benefit applications have tumbled and the unemployment rate is at a 3½-year low.

Economists caution that Europe's debt crisis will likely slow global growth in the first half of the year.

But on Tuesday, the outlook was mostly positive.

The Institute for Supply Management, a trade group of purchasing managers, said its manufacturing index rose to 53.9 from 52.7 in November. Readings above 50 indicate expansion.

The Commerce Department said spending on construction projects rose 1.2 percent in November — the largest increase since a 2.2 percent rise in August.

"The trend for the U.S. economy is most decidedly to the upside," said Dan Greenhaus, an analyst at brokerage firm BTIG LLC.

U.S manufacturing has expanded for more than two years. Factories were one of the first areas of the economy to start growing after

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the recession officially ended in June 2009. They faltered over the summer after Japan's March 11 earthquake disrupted auto and electronics supply chains.

But a December ISM survey found that many have largely recovered.

Exports rose despite the trouble in Europe. Growth in new orders means output will likely increase in the coming months.

And U.S. factories hired last month at the fastest pace since June, an optimistic sign of job growth in December.

"All in all, an upbeat report," said Peter Newland, an economist at Barclays Capital.

He noted that the stronger manufacturing activity should contribute to faster economic growth in the October-December quarter.

Construction spending rose 1.2 percent in November to a seasonally adjusted annual rate of $807.1 billion.

While that's barely half the $1.5 trillion that economists consider healthy, home construction has begun a gradual rebound and

The economy generated an average of 143,000 net jobs a month from September through November. That's almost double the pace for the previous three months.

The economy likely grew at an annual rate of 3 percent or more in the final three months of this year, analysts say.

That would top the 1.8 percent growth rate in the July-September quarter, and the 0.9 percent growth rate in the first half of the year.

Analysts forecast a modest expansion of 2.4 percent in 2012, an Associated Press survey of economists found.

Spending jumped 9.5 percent on home improvement projects in November.

It rose 1.5 percent on single-family home construction and gained 1.3 percent on apartment building.

"While spending on single-family construction still remains extremely depressed, it has now increased for six straight months and looks consistent with other indicators signaling some improvement in the housing market," said Daniel Silver, an economist with JPMorgan Chase.

Europe is likely already in recession because of its ongoing debt crisis.

A separate survey of European manufacturers released earlier this week found that factory activity shrank last month for the 17 nations that use the euro.

"It is hard to see the U.S. economy strengthening this year when the eurozone is on the cusp of a potentially severe recession and when growth in Asia is set to slow," said Paul Dales, an economist at Capital Economics.

Consumers could also pull back on spending. That would hurt growth because economic activity.

But for now, Americans are feeling a little better about the economy.

The Conference Board said last week that its consumer confidence index rose in December to the highest level since April.

And the number of people applying for unemployment benefits each week is dropping steadily, evidence that companies are cutting fewer jobs.

Weekly applications have dropped by 10 percent in the past three months.

Employers are hiring more workers, too.