Factories, construction boost U.S. economy

Incentives fueled building gains; exports up despite Europe crisis

By Martin Crutsinger and Alan Zibel
THE ASSOCIATED PRESS

WASHINGTON — The economic recovery gained strength on the biggest rise in construction spending in nearly a decade and the 10th straight month of expansion for the manufacturing sector.

Temporary government incentives fueled most of the construction spending increases in April. Industry spending rose 2.7 percent with gains in all major sectors, the Commerce Department said Tuesday.

In a separate report Tuesday, the Institute for Supply Management, a trade group of purchasing executives, said its manufacturing index dipped slightly in May from a nearly six-year high in April. But the 59.7 reading for May was well above the 50 level that indicates expansion.

Export orders rose last month despite the debt crisis in Europe that threatens to spread.

"The European fiscal crisis doesn't appear to have harmed the prospects of U.S. manufacturers, at least not yet," wrote Paul Ashworth, senior U.S. economist with Capital Economics.

Construction spending was boosted by a homebuyer tax credit, which helped residential construction surge 4.4 percent in April. The tax credit expired at the end of April.

Government spending also rose. The 2.4 percent increase was aided by the stimulus program passed last year. State and local spending jumped 2.3 percent, and federal spending rose 2.9 percent.

The other major sector, nonresidential construction, climbed 1.7 percent. That marked the first advance in this category since March 2009. The strength in April came from gains in private sector work on communications projects and power generation facilities. Construction of office buildings and the category that includes shopping centers fell in April.

Commercial building projects have suffered in the weak economy through rising loan defaults and tighter credit.

In the manufacturing report, the group's employment index, which measures employers' willingness to hire, rose 1.3 percentage points to 59.8. That was the highest level since May 2004.