

# Factories slow as economy sluggish

But orders for goods give rise to optimism for better times ahead

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WASHINGTON — U.S. manufacturing grew more slowly in October, hampered by weaker demand for exports and slower production at factories.

But companies ordered more goods, factories slashed their stockpiles and auto sales rose. These trends suggest manufacturing could rebound in coming months.

Tuesday's data, which also showed a slight uptick in construction spending in September, suggest the economy is growing but remains too sluggish to lower the unemployment rate, which has been stuck at 9.1 percent for three months.

"Overall, economic conditions seem just about strong enough to avoid a recession, but not strong enough to generate any meaningful growth," said Paul Dales, senior U.S. economist at Capital Economics.

The Institute for Supply Management said Tuesday that its manufac-

turing index dropped to 50.8, down from 51.6 in September. Any reading above 50 indicates expansion.

Measures of production and new export orders fell. A gauge of employment dipped but remained strong enough to signal that factories are adding workers.

Separately, the Commerce Department said builders spent slightly more in September on projects, the second straight monthly increase. A gain in spending on home construction offset declines in government projects. Still, the annual rate of spending is roughly half the \$1.5 trillion that economists consider healthy.

U.S. automakers reported stronger sales in October. That could lift manufacturing in the months to come. Chrysler said its U.S. sales jumped 27 percent. General Motors said sales rose 2 percent.

A report in China showed that manufacturing grew at the slowest pace in nearly three years in October.