Factories stepped up activity in March

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Manufacturing activity picked up modestly in March in a sign that improved weather may have lifted the economy but colder-than-normal temperatures and storms may still have held back growth.

The Institute for Supply Management's index of factory activity increased to 53.7 from 53.2 in February, a smaller gain than economists expected. An index reading of 50 or higher indicates the sector is expanding, while below 50 means it's contracting.

A measure of production rose sharply to 55.9 from 48.2. Output shrank in February as manufacturers shut down or curtailed hours amid adverse weather.

The index for new orders — a barometer of future production — edged up to 55.1 from 54.5. But the employment index dipped to 51.1 from 52.3, which could foreshadow lower-than-expected job gains in Friday's report on employment last month.

The overall index reflected a manufacturing sector that expanded for the 10th straight month. But comments from manufacturers surveyed indicated that bad weather may have continued to crimp activity.

As weather impacts ebb further, factories should ramp up solidly this year, economists say. The Manufacturing Alliance for Productivity and Innovation, the industry's research arm, projects a 3.2% jump in production in 2014, vs. 2.3% last year.

With a recent budget agreement, "we expect business investment to accelerate both this year and next," says alliance chief economist Daniel Meckstroth.

Another report showed construction spending in February edged up 0.1% to a seasonally adjusted annual rate of $945.7 billion, in line with estimates. But January's tally was revised from a 0.1% gain to a 0.2% decline.