BUSINESS

Factory expansion cools in April

Economist: 'Not a slump, just more slow growth'

By Christopher S. Rugaber
Associated Press

WASHINGTON — U.S. factory activity expanded at a slower pace in April, held back by weaker hiring and less company stockpiling. The report is the latest to suggest economic growth has slowed this spring.

The Institute for Supply Management said Wednesday that its index of manufacturing activity slipped to 50.7 last month.

That's down from 51.3 in March and the slowest pace this year. A reading above 50 indicates expansion.

A measure of hiring fell sharply to 50.2, the lowest level since November. That suggests factories cut jobs again in April. And manufacturers cut back on stockpiling for the second straight month.

The ISM's employment gauge hasn't been a reliable indicator in recent months: It reached a nine-month high in March, conflicting with government data that reported factories shed 3,000 jobs.

Despite the decline in the pace of growth, economists noted that the survey still shows that manufacturing expanded for the fifth straight month. And there were some positive signs in the report.

A measure of production and new orders rose. More new orders indicate companies may have to rebuild their stockpiles in the coming months. Order backlogs grew at a faster pace. Higher orders point to more factory output in the coming months.

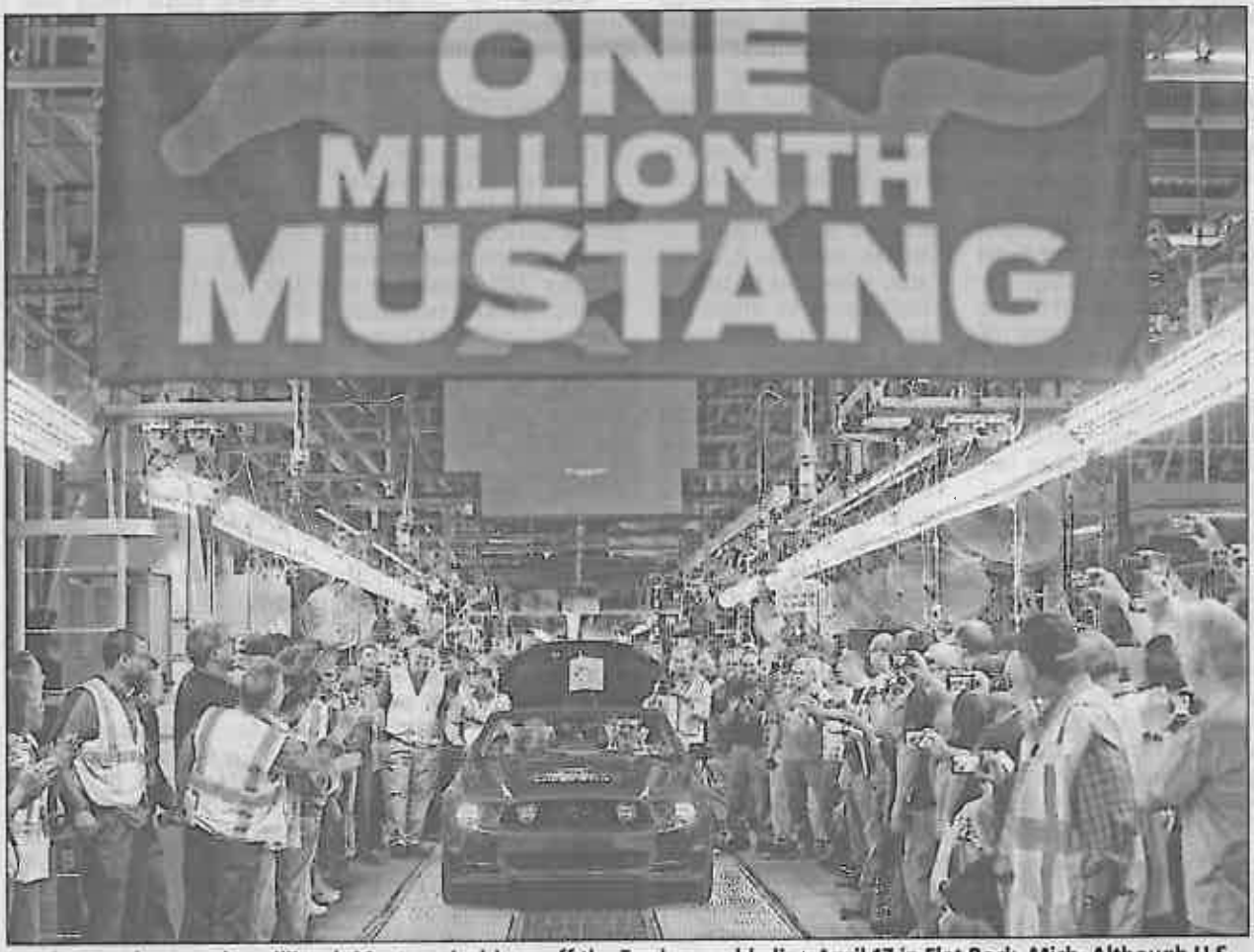
"This is not a slump, just more slow growth," said John Silvia, chief economist at Wells Fargo Securities.

Still, slower growth in manufacturing suggests some companies may be worried about across-the-board government spending cuts that began March 1.

The survey noted that one company tied to the defense industry mentioned that cuts had weakened its business in April.

Factories may also see slower sales this spring because consumers are starting to feel the impact of higher Social Security taxes.

Consumers are more optimistic that the job market is healing and will deliver higher pay later this year, according to a survey of April consumer confidence released Tuesday. And lower gas prices could offset some of the pinch from the tax increase.



Employees cheer as the millionth Mustang is driven off the Ford assembly line April 17 in Flat Rock, Mich. Although U.S. auto sales remained strong, the nation's overall manufacturing growth slowed in April, according to a report Wednesday. AP

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