

A welder works on a stainless steel tank at JV Northwest, in Camby, Ore. The firm manufactures stainless steel vessels. U.S. factories stepped up hiring and production in March. AP FILE

Factory output rises, but construction falls

By Christopher S. Rugaber
The Associated Press

WASHINGTON — U.S. factories stepped up hiring and production in March, the latest evidence that manufacturing is growing at a healthy pace and fueling the recovery. But a separate report on construction spending showed that building activity declined in February for the second straight month, disappointing economists.

The reports show "that the economy is still locked on a very gradual healing trajectory," said Steven Ricchiuto, chief economist at Mizuho Securities.

The Institute for Supply Management, a trade group of purchasing managers, said Monday that its index of manufacturing activity rose to 53.4 in March. That's up from 52.4 in the previous month. Readings above 50 indicate the sector is expanding.

A measure of manufacturing employment rose to a nine-month high, a sign that factories are hiring more workers. Manufacturers are already a big source of job gains. They've added more than 100,000 jobs in the past three months, about one-seventh of all net gains.

Separately, the Commerce Department said construction spending fell 1.1 percent in February, after a fall of 0.8 percent in January. Spending on home building, office construction and government projects all fell. The weak report shows the construction industry is still struggling more than 2½ years after the recession ended.

Stocks rose after the reports were issued.

The Dow Jones industrial average moved up 52 points Tuesday. Broader indexes also rose.

The ISM's survey found that new orders are increasing, but at a slightly slower pace than in February. Order backlogs rose at a faster pace. And manufacturers said their customers are reporting low inventories, which suggests they are likely to keep ordering new goods. All of those indicators suggest production should stay healthy in the coming months.