Recovery gets a lift



AMY SANCETTA / The Associated Press

Kim Robinson puts labels on Playaway self-contained, battery-powered audio player books at the Findaway World headquarters in Solon, Ohio.

Manufacturing boost could lead to hiring

Growth expected to continue; construction spending down

By Christopher S. Rugaber
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WASHINGTON — An unexpectedly strong report on manufacturing activity Monday bolstered confidence that America's factories will help sustain an economic recovery.

The report by a private trade group signals that industrial production is likely to keep expanding in coming months, economists said. That could lead, in turn, to increased hiring and job creation.

The Institute for Supply Management, a trade group of purchasing executives, said its manufacturing index read 55.9 in December after 53.6 in November. A reading above 50 indicates growth.

It was the fifth straight month of expansion and the highest reading for the index since April 2006. Analysts polled by Thomson Reuters had expected a reading of 54.3.

But a separate report on construction spending sounded a more cautionary note. Construction activity fell in November for a seventh straight month as spending on both residential and commercial projects declined.

Increased spending on federal construction projects, likely fueled by stimulus spending, was largely canceled out by lower state and local construction spending.

Still, the ISM said its index of new orders, a signal of future production, jumped last month to 65.5 from 60.3 in November, the highest level in five years. That indicates the overall index should keep climbing and could near 60 in coming months, economists said.

"Overall, this was a very strong report, and it suggests that the recovery in the U.S. manufacturing sector is gaining further traction," Millan Mulraine, an economist at TD Securities, wrote in a note to clients.

Other measures of manufacturing around the world on Monday also showed growth. China's manufacturing sector expanded at its fastest rate in 20 months in December, according to a purchasing managers' survey. In Europe, a similar survey in the 16 countries that use the euro rose to a 21-month high and a manufacturing index for Britain rose to a 25-month high.