Manufacturing expands at best pace in 2½ years

Shutdown had little effect

By Christopher S. Rugaber
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Employees at Sheffield Platers Inc. work on the factory floor Oct. 10 in San Diego. LENNY IGNELZI/AP

WASHINGTON — U.S. factory activity expanded in October at the fastest pace in 2½ years, suggesting that the 16-day partial shutdown of the government had little effect on manufacturers.

Instead, overseas demand and healthy U.S. auto sales appear to be supporting factory output. The housing recovery is also lifting the furniture and wood products industry despite a recent slowing in home sales.

"We've become accustomed to the way Washington operates in the past couple of years and assume that it will get resolved eventually, however painfully," said Bradley Holcomb, head of the survey committee of the Institute for Supply Management, a trade group of purchasing managers that on Friday reported a solid manufacturing figure for October.

The ISM's manufacturing index rose to 56.4 from 56.2 in September. A reading above 50 indicates growth.

Factories also expanded in Europe last month, though at a slightly slower pace, according to surveys in that region. Manufacturing indexes have all picked up in China, Japan and South Korea.

The overseas strength is boosting demand for U.S. factories. A measure of export orders jumped to its highest level in nearly 18 months in October, the ISM report said.

U.S. factory activity has now risen at an increasingly fast pace for five straight months, according to the ISM's index. In October, a measure of new orders rose slightly. And a gauge of production fell but remained at a high level. Factories added jobs, though more slowly than in September.

Still, economists don't expect manufacturing to boost economic growth in the coming months. Growth likely fell to a weak annual rate between 1.5 and 2 percent in the July-September quarter from a 2.5 percent pace in the April-June period.

Most economists expect similarly slow growth in the final three months of the year.