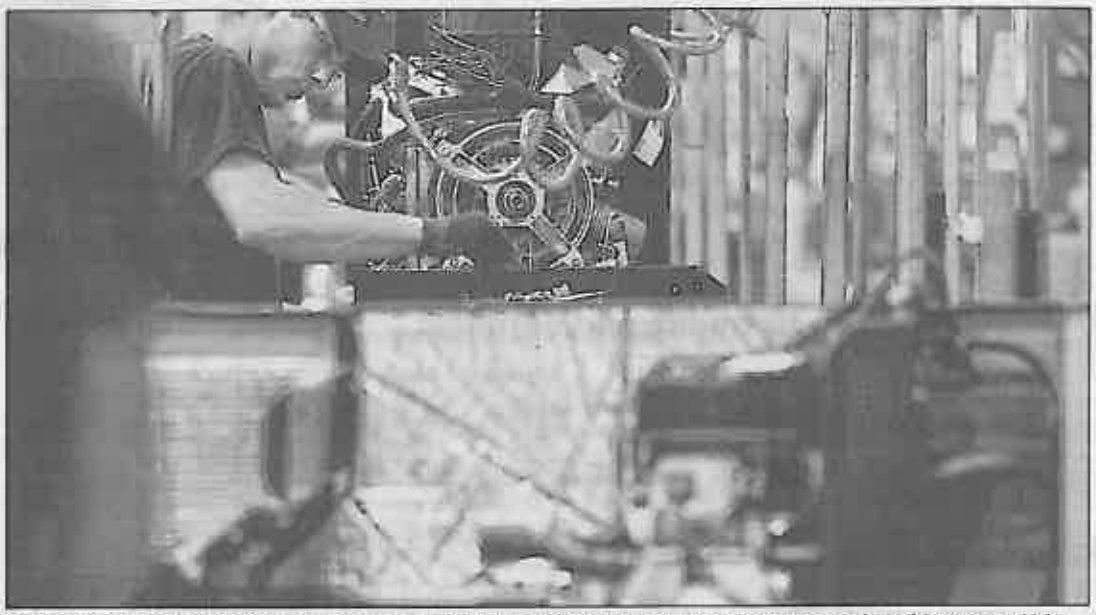


In November, work continues on the assembly line at Generac Power Systems Inc. in Whitewater, Wis. U.S. manufacturing shrank in November, but it grew slowly in December. NAM Y. HUH/AP

Manufacturing grows slightly in December

'Fiscal cliff' fears likely subdued numbers; trend remains weak, economist says

By Christopher S. Rugaber
Associated Press

WASHINGTON — U.S. manufacturing grew slightly last month and factory hiring increased.

The Institute for Supply Management said Wednesday that its index of manufacturing activity rose in December to 50.7. That's up from a reading of 49.5 in November, which was the lowest reading since July 2009, one month after the recession ended.

A reading above 50 indicates growth, while a reading below signals contraction. The ISM is a trade group of purchasing managers.

A measure of employment increased last month to 52.7. That's up from 48.4 in November, which was the first time the employment gauge fell below 50 in three years.

Factories have cut jobs in three of the four months through November, according to government data. The jump in employment in the ISM survey suggests manufacturers may have stepped up hiring last month.

The Labor Department releases the December jobs report on Friday.

Still, a gauge of new orders was unchanged and production grew more slowly, the survey found. Manufacturers also cut back on stockpiles, a sign of concern about future demand.

"The trend in manufacturing remains weak," Jim O'Sullivan, an economist at High Frequency Economics, said in a note to clients.

ECONOMIC GROWTH

The economy grew at a 3.1 percent annual rate in the July-September quarter, much better than the 1.3 percent pace in the April-June quarter.

» But economists expect growth slowed in the final three months of last year, partly because of the uncertainties surrounding the fiscal cliff, to below a 2 percent pace.

The closely watched manufacturing survey was completed before Congress reached a deal to avoid the "fiscal cliff."

The deal passed Tuesday averts widespread tax increases and delays deep spending cuts that had threatened a recession. Still, most Americans will see some increase in taxes this year.