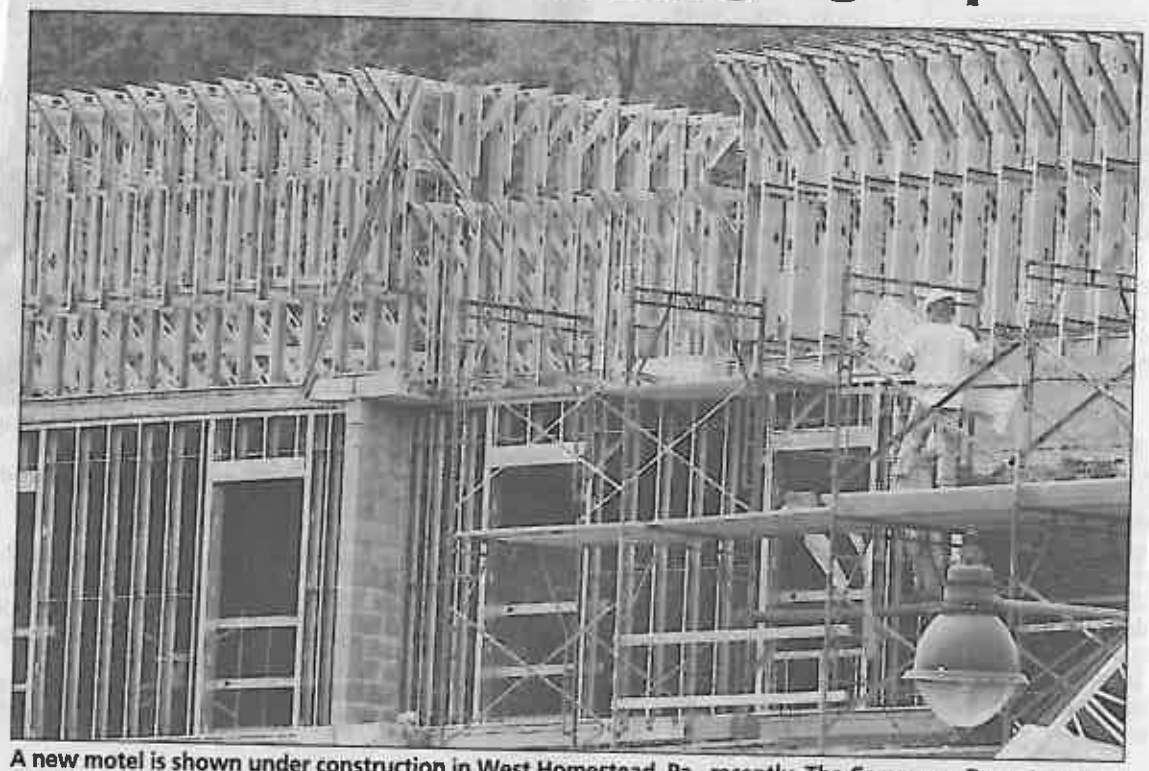
Construction spending edges up



A new motel is shown under construction in West Homestead, Pa., recently. The Commerce Department said that construction spending ticked up 0.1 percent in March. GENE J. PUSKAR/AP

Manufacturing growth exceeds expectations

By Christopher S. Rugaber
The Associated Press

WASHINGTON — U.S. manufacturing grew last month at the fastest pace in 10 months. New orders, production and a measure of hiring all rose.

A separate report showed that construction spending eked out a gain in March after declining the two previous months. The Commerce Department said construction spending edged up 0.1 percent.

The strength at U.S. factories suggests the economy is healthier than recent data had indicated. That's a hopeful sign ahead of Friday's report on hiring in April.

The Institute for Supply Management, a trade group of purchasing managers, said Tuesday that its index of manufacturing activity reached 54.8 in April. That's the highest level since June and up from 53.4 the previous month. Readings above 50 indicate expansion.

The report, which exceeded analysts' expectations, led investors to shift money out of bonds and into stocks. The flurry of stock buying put the Dow Jones industrial average on track for its highest close in more than four years.

The manufacturing index for April is closely watched in part because it's the first major economic report for the month. The big gain followed a series of weaker data in recent weeks that had pointed to slower hiring, increased applications for unemployment benefits and lower factory output.

"This survey will ease concerns that the softer tone of the incoming news in recent months marked the start of a renewed slowdown in growth," Paul Dales, an economist at Capital Economics, said. "We think the latest recovery is made of sterner stuff, although we doubt it will set the world alight."

A gauge of new orders jumped to its highest level in a year. That could signal faster production in the coming months.

Export orders also rose, which could offset worries that weaker economies in Europe and China could drag on U.S. exports.

Spending on single-family home construction rose, as did commercial projects. Those gains offset steep cutbacks in state and local government building.