BUSINESS

Manufacturing pace reaches 2-year peak

August builds on previous months' readings that showed expansion

By Adam Shell
USA Today

A key reading on the health of U.S. manufacturing inched higher in August, topping expectations and signaling that the U.S. economy looks to regain speed in the second half of 2013.

The Institute for Supply Management's manufacturing purchasing managers' index rose to 55.7 last month, compared with a reading of 55.4 in July and 50.9 in June. The August reading was above the 54 expected by Wall Street economists.

The report points to continued growth in U.S. manufacturing, says David Kelly, chief global strategist at J.P. Morgan Funds. A reading above 50 suggests "expansion," not contraction.

August's reading tops a strong number in July. And coupled with strong manufacturing data from other parts of the globe, last month should be viewed in a positive light, he says.

Another good sign is that the new-orders component of the August ISM manufacturing index rose to 63.2, above the 58.3 reading in July.

A rise in new orders shows stronger demand and sets the stage for more hiring by businesses to meet the increased demand, says Quincy Krosby, market strategist at Prudential Financial. "Overall, the direction of manufacturing continues to be positive," Krosby says.

AROUND THE WORLD

On Monday, when U.S. financial markets were closed for the Labor Day holiday, manufacturing readings in Europe and China both topped expectations as well as the key 50 threshold, suggesting expansion in other spots around the globe..