Manufacturing shrinks in November

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Associated Press

WASHINGTON — Manufacturing shrank in November to its weakest level since July 2009, the first month after the Great Recession ended. Worries about automatic tax increases in the New Year cut demand for factory orders and manufacturing jobs.

The Institute for Supply Management said Monday that its index of manufacturing conditions fell to a reading of 49.5. That's down from 51.7 in October.

Any reading above 50 signals expansion, while readings below 50 indicate contraction. Manufacturing grew in October for only the second time since May. The ISM is a trade group of purchasing managers.

A measure of new orders fell to its lowest level since August, a sign that production could slow in the coming months.

"Today's report suggests that the manufacturing sector is likely to remain a weak point in the recovery for a few months yet," Jeremy Lawson, an economist at BNP Paribas, said in a note to clients.

Businesses expressed concerns about the "fiscal cliff." That's the name for sharp tax increases and government spending cuts that will take effect in January if Congress and the Obama administration fail to strike a budget deal before then.

Worries about the fiscal cliff have led many companies to pull back this year on purchases of machinery and equipment, which signal investment plans. The decline could slow economic growth and hold back hiring in the October-December quarter.