BUSINESS

Manufacturing soars in July

Activity grew at fastest pace in 2 years

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Associated Press

WASHINGTON — Factory activity expanded in July at the fastest pace in two years, fueled by surges in new orders, production and hiring. The gains show manufacturing is rebounding and should provide a spark to growth in the coming months.

The Institute for Supply Management said Thursday that its index of factory activity jumped to 55.4 in July, up from 50.9 in June. A reading above 50 indicates growth.

A measure of employment rose to its best level in a year, an encouraging sign ahead of Friday's July employment report. And a gauge of production soared 11.6 points to 65, the highest since May 2004.

Stronger growth at U.S. factories could aid a sluggish economy that has registered tepid growth over the past three quarters. And it could provide crucial support to a job market that has begun to accelerate but has added mostly lower-paying service jobs.

Manufacturing had struggled in first few months of the year, held back by weaker global growth and steep government spending cuts. And slower production led factories to slash jobs from March through June. But those trends have started to reverse.

Europe's economies have shown signs of life in recent months. That likely contributed to a healthy gain in U.S. exports in the second quarter.

Businesses also spent more on equipment in the April-June quarter and have boosted orders for four straight months. As those orders are filled, factory output should increase.