Stronger factories, prices lift

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WASHINGTON — U.S. manufacturing is recovering from a slump, and inflation may be peaking.

Data issued Wednesday point to an economy growing slowly but steadily. Still, surging oil prices and a possible European recession threaten to drain the economy's momentum.

"The continued resilience of manufacturing is encouraging, since this should be the sector most exposed to the global economic slowdown," said Paul Ashworth, chief U.S. economist with Capital Economics.

Industrial production rose in October at the fastest pace in three months. Output at the nation's factories, utilities and mines rose 0.7 percent last month, the Federal Reserve said Wednesday.

Factory output, the largest component of industrial production, increased a solid 0.5 percent. It was the fourth straight monthly gain. Factories made more trucks, electronics and business equipment.

Manufacturers "are benefiting from the strong growth in emerging markets, and domestic businesses are confident enough in the future to continue expanding purchases of capital equipment," said Daniel Meckstroth, chief economist for the Manufacturers Alliance/MAPI, a trade group.

A separate report from the Labor Department showed Americans paid less for gas, cars and computers last month as overall prices fell for the first time since June.

Slower inflation could give the Federal Reserve more leeway to lower long-term interest rates to help the economy.

"In the current soft economic environment, inflation is not an issue for policymakers," said Jennifer Lee, an economist at BMO Capital Markets.

Factory production was dragged down this spring after the Japanese earthquake and tsunami disrupted key supply chains for automakers and other manufacturers. Rising food and gas costs and shaky financial markets caused consumers to cut back on big purchases.

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