

Tire inspector Buddy Rice checks for defects in the tire verification area at a Michelin plant in Greenville. Manufacturing is slowing in the United States and overseas. RAINIER EHRHARDT/AP

Survey: Manufacturing down for third month

Sector stagnating in Europe and Asia as economies slow

By Christopher S. Rugaber
Associated Press

WASHINGTON — U.S. factory activity shrank for the third straight month in August as new orders, production and employment all fell. The report adds to other signs that manufacturing is struggling around the globe.

The Institute for Supply Management, a trade group of purchasing managers, said Tuesday its index of manufacturing activity ticked down to 49.6. That's down from 49.8 in July and the lowest reading in three years. A reading below 50 indicates contraction.

Weak consumer spending and steady declines in business orders for large machinery and other capital goods are slowing factory output.

The report followed other data showing manufacturing has slowed overseas. A measure of factory activity in China fell last month to its lowest level in more than three years. And manufacturing in Europe has also stagnated in the face of the region's financial crisis.

Paul Dales, senior U.S. economist at Capital Economics, said continued uncertainty caused by the recession in Europe, the slowdown in Asia and impending tax increases and spending cuts in the U.S. "is taking its toll on activity."

"At this level, the index remains consistent with ... growth in the third quarter of between 1.5 percent and 2 percent," Dales told clients.

The manufacturing index typically needs to fall to about 43 to suggest the broader economy is shrinking, according to the ISM.