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U.S. manufacturing activity, new orders grow in August

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NEW YORK — The U.S. manufacturing sector grew in August for the first time in 19 months, adding to evidence that the recession is ending.

The better-than-expected reading Tuesday by the Institute for Supply Management showed the highest number for its manufacturing index since June 2007. New customer orders jumped to a level not seen since late 2004.

And in another sign of an improving economy, a gauge of future U.S. home sales rose more than expected in July to the highest point in more than two years.

The reports raised hopes for a broad economic rebound. Still, as long as consumers remain hamstrung by weak pay and job losses, and wary of ramping up spending, the economy might not be able to sustain a recovery.

The ISM, a trade group of purchasing executives, said its manufacturing index rose to 52.9 in August, from 48.9 in July. It's the first reading above 50, which indicates expansion, since January 2008. Analysts polled by Thomson Reuters had expected a reading of 50.5.

New orders jumped nearly 10 percentage points to 64.9 in August, their highest level since December 2004. With strong new orders for two straight months, production should grow at "reasonable rates" for the rest of the year, said Norbert Ore, chair of ISM's manufacturing survey.

A weaker dollar also helped exports grow for the second straight month, after shrinking for nine, according to ISM.

Other countries also reported a revival in global trade. In China, state-sanctioned survey and a private bank report showed the country's manufacturing sector grew at its fastest rate this year in August as the government's stimulus spending plan kick-started production. Chinese exports are still down sharply from last year but have improved in recent months.

The current growth in the U.S. manufacturing sector has been historically equivalent to a 3.7 percent increase in gross domestic product, Ore said. GDP shrank 1 percent in the second quarter, but many economists expect the recession ended over the summer.

Businesses believe their customers' inventories are still too low, Ore said, and restocking shelves could help boost production later this year.

Meanwhile, the National Association of Realtors said its seasonally adjusted index of sales contracts signed in July for previously occupied homes rose 3.2 percent to 97.6. It was the sixth straight increase and 12 percent above the same month last year.

Economists surveyed by Thomson Reuters expected the index would edge up to 96.5.

On Wall Street, stocks dipped. The Dow Jones industrial average lost about 20 points in morning trading, and broader indices also edged down.

The ISM index, which includes new orders, production, employment, inventories, prices and more, is based on a survey of the Tempe, Ariz.-based group's members.



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Workers inspect new Escape SUVs at Ford's Kansas City Assembly Plant, on Wednesday in Claycomo, Mo.