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Business Activity in U.S. Grows as Factories Accelerate Economic Recovery

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Business activity in the U.S. expanded in October at about the same pace as in the prior month, a sign overseas demand and business investment will help keep the economy expanding.

The Institute for Supply Management-Chicago Inc. said today its business barometer decreased to 58.4 in October from 60.4 the prior month. A level of 50 is the dividing line between expansion and contraction. The group's employment gauge climbed to a six-month high.

Improving [consumer spending](#) is lifting sales at manufacturers like Chrysler Group LLC, combined with rising demand from emerging economies and the need to replace outdated equipment, means assembly lines will keep humming. Some Federal Reserve policy makers, ahead of their meeting this week, have said they are willing to take additional steps to spur growth.

"Manufacturing is still moving along quickly," said Samuel Coffin, an economist at UBS Securities in [Stamford, Connecticut](#). "It seems pretty broad-based, autos helped. We have growth perking along in the fourth quarter."

Stocks fell, trimming the biggest monthly advance since 1987 in the Standard & Poor's 500 Index, on concern European leaders will struggle to raise funds to contain the region's sovereign debt crisis. The [S&P 500](#) dropped 1.1 percent to 1,270.5 at 10:17 a.m. in [New York](#). [Treasury securities](#) rose, sending the yield on the benchmark 10-year note down to 2.21 percent from 2.32 percent late on Oct. 28.

Economists forecast the gauge would drop to 59, according to the median of 55 estimates in a Bloomberg News survey. Projections ranged from 56 to 62.5.

Hiring Picks Up

The Chicago group's production gauge decreased to 63.4 from 63.9. The gauge of new orders fell to 61.3 from 65.3. The employment measure climbed to 62.3, the highest level since April, from 60.6 the prior month.

The measure of prices paid increased to 66 from 62.3, and a gauge of inventories dropped to 54.4 from 60.3.

Economists watch the Chicago index and other regional manufacturing reports for an early reading on the national outlook. The Chicago group says its membership includes both manufacturers and service providers with operations in the U.S. and abroad, making the gauge a measure of overall growth.

The ISM's national factory index rose in October to 52 from 51.6 the prior month, according to the median projection in a Bloomberg survey ahead of the group's report tomorrow. Like the Chicago survey, a reading greater than 50 signals expansion.

Mixed Results

Other regional surveys released this month showed a mixed picture for factories. New York-region factories shrank for a fifth straight month in October and manufacturing in the Philadelphia area expanded after two months of contraction, figures from the [Federal Reserve](#) showed.

A Commerce Department report last week showed orders for durable goods other than transportation gear rose in September by the most in six months. Demand for all durable goods fell, the report said.

Corporate spending on equipment and software climbed at a 17.4 percent pace in the third quarter, the most in a year, as the economy grew at a 2.5 percent pace, the Commerce Department reported last week.

A rush to qualify for a larger government credit may be contributing to the increase in businesses investment. The Obama administration's tax compromise allows companies to depreciate 100 percent of investment in capital outlays in 2011 and 50 percent in 2012.

More Investment

“We are starting to see our customers resume their investment activity,” Richard S. Hill, chairman and chief executive officer at [San Jose](#), California-based [Novellus Systems Inc. \(NVLS\)](#), a maker of machinery used in semiconductor production, said on a conference call last week.

Chrysler, boosted by deliveries of Ram pickups, led September U.S. auto sales gains that exceeded analysts' estimates. General Motors Co. and Ford Motor Co. also beat estimates on Silverado and F-Series trucks. Auto sales rose to a 13.04 million annual pace, the highest since April, compared with a 12.1 million rate the prior month

Chrysler, the U.S. automaker majority owned by Fiat SpA, last week reported third-quarter net income of \$212 million and boosted its 2011 profit forecast.

A dollar that has lost 15 percent of its value since June 2010 has made American goods more competitive. July and August were the best months for U.S. exports on record, according to figures from the Commerce Department.

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