

[Manufacturing index up to 42.8 in May](#)



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(AP) — The decline in U.S. manufacturing slowed in May, a trade group reported Monday, and the sector is faring better than analysts had expected alongside similar reports from Asia and Europe.

The Tempe, Ariz.-based Institute for Supply Management said its index on manufacturing came in at 42.8 — its highest level since September — compared with 40.1 in March. A reading below 50 still indicates contraction, but the measure has been shrinking more slowly every month since December.

Analysts polled by Thomson Reuters had expected the index to read 42 for May.

The data from ISM, a trade group of purchasing executives, comes on top of reports indicating an easing in the manufacturing crunch in China, Great Britain and the euro zone.

The index is made up of indicators including new orders, production, employment, inventories, prices, and export and import orders.

Even though ISM noted that May's decline was the 16th straight month of contraction in manufacturing, the report showed "signs of improvement" since last month and the 28-year low of 32.9 in December.

An index of new orders rose to 51.1 in May from 47.2 in April. It was the first month of growth in the new-orders index since November 2007, with nine of 18 industries reporting growth.

Growth in new orders from businesses and consumers means manufacturers will need to ramp up production. At the same time, an index of customer inventories fell below 50 for the second straight month, which means manufacturers' clients will probably need to restock.

The production index clocked in at 46 from 40.4 in April — the ninth consecutive decline.

"ISM is being lifted partly by a catching-up or rebound after the post-Lehman plunge, during which time companies seem to have slashed their spending more deeply than was sustainable, and partly by an unfreezing of world trade," Ian Shepherdson, chief U.S. economist at High Frequency Economics, wrote in a research note.

Lehman Brothers collapsed in mid-September, sinking markets and sparking a global crisis in financing.

ISM also said that while a reading below 50 indicates contraction in the manufacturing economy, a level above 41.2 has historically indicated an expansion of the overall economy. The ISM hadn't been above 41.2 in seven months.

The Commerce Department last week said the economy contracted at a 5.7 percent pace in the first quarter following a 6.3 percent annualized drop in the fourth quarter of 2008, the biggest in a quarter century. But economists are hopeful the economy is on the mend and is shrinking at a much slower pace now.

Overseas, a recovery in the manufacturing sector also seemed to be near.

Two gauges of manufacturing in China indicated expansion. The brokerage CLSA Asia-Pacific Markets said its monthly purchasing managers index rose to 51.2 in May from April's 50.1. The official China Federation of Logistics and Purchasing said its own measure slipped to 53.1 from April's 53.5 — still a growth reading.

Meanwhile, in Europe, data provider Markit said its monthly purchasing managers index for the euro-using countries was revised up to a seven-month high of 40.7 last month from 40.5.

And a British measure rose for the third straight month to 45.4 in May from 43.1 in April.