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Manufacturing Rises Again but Employment Still Erodes

By THE ASSOCIATED PRESS

Manufacturing activity picked up strongly in August for a second consecutive month, but the employment picture remained grim, a report released yesterday showed.

The Institute for Supply Management reported that its manufacturing index rose to 54.7 last month from 51.8 in July. A reading above 50 indicates expansion, while one below 50 indicates that manufacturing activity is slowing.

The index in August was at its highest level since a 55.2 reading in December, and it was stronger than analysts had expected.

Norbert J. Ore, who oversees the index, said the numbers were encouraging: "Though two months of growth do not establish a trend, there is strength in the various segments of this report that we have not seen for some time."

Mr. Ore noted that new orders and production each had readings above 50 percent for four consecutive months, suggesting that "the continuation of a second-half recovery appears on track."

Still, employment continued to deteriorate.

Manufacturing companies have lost 2.7 million jobs since June 2000, and the institute's index for employment fell to 45.9 in August from 46.1 in July.

"It's a disappointment that factory employment appears to have declined slightly faster in August than in July," said Patrick Fearon, an economist at A. G. Edwards & Sons in St. Louis. He blamed foreign competition in some industries and lack of strong capital spending in others.

In a speech on Labor Day, President Bush announced that he would create a high-level government post to nurture the manufacturing sector and to try to reverse the slide in employment.

The institute's index, which is based on a survey of managers who buy raw materials in 20 industries, is watched closely as a measure of the health of the manufacturing sector.

Manufacturing has been slower than other sectors to recover from the recession, but in recent months it has shown renewed strength.

Economists said the August figures from the institute suggested that there would be further growth in coming months in manufacturing.

Dan Meckstroth, chief economist with the Manufacturers Alliance/MAPI, a business research group in Arlington, Va., said the overall report was positive.

"What's most important is that orders are expanding as fast or faster than production," Mr. Meckstroth said. "That means that prospects for future growth in production should continue to rise."

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