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## Manufacturing Strengthens in August

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A surge in new orders and production helped boost U.S. factory activity in August for the second month in a row, but manufacturing employment continued to shrink, according to an industrial survey released today.

The Institute for Supply Management's index of manufacturing activity rose to 54.7 in August from 51.8 in the previous month. The August Manufacturing Business Survey results were the strongest since December, indicating that the nation's factories have staged a comeback from the disruptions triggered by the U.S. war in Iraq this year.

On Wall Street, the strong manufacturing survey and other positive economic data were upstaged by news that the investment ratings on software and other technology shares had been raised, triggering a rally. After meandering for much of the day, the Dow Jones average closed at 9523.27, up 107.45. The technology-heavy Nasdaq rose 31.03 - or 1.71% - to 1841.48, while the S&P 500 added 13.98 to 1021.99

The August manufacturing survey, based on the responses of 3,000 purchasing managers, reflected a boost in demand as the New Orders Index rose to 59.6 from 56.6 in July. The Production Index increased 8.3 points to 61.6 — the highest level since June 1999.

"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," said Norbert J. Ore, who oversees the manufacturing survey. "The continuation of a second-half recovery appears on track."

However, manufacturers continued to increase production without adding workers, sending the Employment Index down 0.2 to 45.9 for August. The Employment Index has been on the decline for nearly three years as employers have remain

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wary of expansion amid signs of economic uncertainty.

"The lack of improvement in the employment component may prove a disappointment to many," said economist Mat Johnson in a report for Quantit Group. But "it's far too early for a recovering sector to be adding much in the way of jobs."

In a separate report today, the number of layoffs announced in August fell 6% from the previous month to 79,925, according to the outplacement firm Challenger Gray & Christmas. The telecommunications industry led in job cuts, with 18,739 layoff notices reported.

Despite the decline in layoffs, Challenger Gray warned that employment reductions have traditionally increased in the fall and winter months and that human resource executives have said they do not expect any major pickup in hiring.

"While job cuts have fallen and there have been some positive signs of an uptick in manufacturing, there has yet to be any significant indication of a rebound in capital spending that would support the view that employers will begin hiring en masse," Challenger Gray executive vice president Rick Cobb said in a statement.

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