U.S. Manufacturing Output Slipped 0.1 Pct. in July

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WASHINGTON (AP) — Output at U.S. factories declined slightly in July, reflecting a drop in auto production. The decline was expected to be temporary given the banner sales year automakers are having.

Manufacturing output edged down 0.1 percent in July compared with June, the Federal Reserve reported Thursday. It was the first drop since declines in March and April.

July's weakness reflected a 1.7 percent fall in the output of motor vehicles and parts. That decline should be reversed in coming months as automakers ramp up production for the new model year.

Overall industrial production, which includes factories, mines and utilities, was flat in July after a 0.2 percent rise in June. A sharp 2.1 percent surge in mining was offset by a 2.1 percent drop in utility output.

Output in manufacturing, the most critical component of industrial production, is up a modest 1.3 percent from the level of a year ago. Economists say manufacturing may have begun to emerge from a weak patch earlier this year.

For July, the output of construction supplies and defense and space equipment showed gains. But production of business equipment was unchanged, and the output of information processing equipment fell.

The 1.7 percent decline at auto factories was the biggest drop since a 2.6 percent decline in January. Without the big fall in auto and parts production, manufacturing output would have been unchanged in July.

The Fed report was weaker than an earlier report from the Institute for Supply Management. That report showed that U.S. factories hired more workers and received a surge of new orders in July. That activity had helped push the ISM manufacturing index to a reading of 55.4 in July, the highest point in two years and up from 50.9 in June. A reading above 50 indicates growth in manufacturing.

Stronger growth at U.S. factories could aid a sluggish economy that has turned lackluster over the past three quarters. The economy barely grew at an annual rate of 0.1 percent in the fourth quarter of last year and improved only modestly to annual rates of 1.1 percent in the January-March quarter and 1.7 percent in the April-June quarter.

Economists predict a stronger annual growth rate of around 2.5 percent in the second half of this year. They expect steady job gains, rising home sales and a brightening picture for Europe and other export markets to boost activity.

The unemployment rate fell to a 4½-year low of 7.4 percent in July from 7.6 percent in June. Employers added 162,000 jobs. The labor market has averaged monthly gains of 192,000 so far this year.

Steady increases in new-home sales and construction are supporting growth in industries such as wood products, furniture and electrical appliances. And healthy auto sales are boosting growth at auto plants and related industries such as metal parts and components.