



A sign of economic recovery: Factory output is growing

By **Paul Davidson and Paul Wiseman, USA TODAY**

The nation's factory output is growing for the first time since early last year, bolstering the case for an economic recovery. While the improvement is modest amid weak consumer spending, some leading manufacturers and economists believe it can be sustained and eventually set off a more robust upswing.

"Production is going to gradually build up steam," says David Huether, chief economist for the [National Association of Manufacturers](#).

The Mid-Atlantic's manufacturing sector grew for the first time since September, the Philadelphia [Federal Reserve Bank](#) said last week. Lifted mostly by automakers, U.S. industrial production rose 0.5% last month, the first monthly increase since December 2007, the [U.S. Federal Reserve](#) said recently. And orders for core, non-defense durable goods increased for the second consecutive month in June.

Behind the resurgence: Manufacturers cut production so sharply during the slump that they depleted inventories and must now ramp up output to meet demand and eventually replenish stocks.

Makers large and small are gearing up:

FIND MORE STORIES IN: [Wells Fargo](#) | [Federal Reserve System](#) | [National Association of Manufacturers](#) | [Arcelor-Mittal](#)

- ArcelorMittal, the world's largest steel company, said it's restarting idle capacity and boosting production as customer inventories have dipped as low as possible.

- Marlin Steel Wire Products, which makes steel baskets for factories, expects sales of \$4.5 million this year, up from \$3.5 million in 2008. "We're very bullish," says President Drew Greenblatt in Baltimore. "We've hired people literally this week."

Marlin is "an early sign for American manufacturing," he says. "And we're rocking."

- Pacific Plastics & Engineering, a medical device maker, is getting orders again from big health care companies that had been living off inventories, CEO Stephanie Harkness says. Meanwhile, smaller firms are drawing venture capital to finance orders.

Revenue, down about 10% at the start of the year, is recovering enough to make 2009 flat with 2008.

"I see some green shoots in a barren field," says Harkness, in Monterey, Calif.

Some economists say the surge will be temporary and production will fall again once stocks are replenished as customer demand remains weak.

"Unless we get a significant pickup in sales, it's not likely to prove all that sustainable," says Wells Fargo economist Mark Vitner.

But others say the initial uptick will add employees and income, rippling through the economy.

"The supply creates its own demand," says Dan Meckstroth, chief economist for Manufacturers Alliance, which does research for the industry.

http://www.usatoday.com/money/economy/2009-08-23-factory-manufacture-economy_N.htm