

■ *Economic Update*

# Is Manufacturing Bouncing Back?

*Latest numbers indicate that in some sectors the road to recovery is near*

Cautious optimism remains the theme for the economy in 2010. Slow but steady improvement is being seen in several sectors, yet the latest round of earnings reports demonstrate a hesitation to proclaim the U.S. and global economies have entered the recovery phase.

Last month, Donald A. Norman, an economist for the Manufacturers Alliance/MAPI, referred to the economy having been in “rehab” during the last quarter, while now it “finally appears to be on the road to recovery.”

Indeed, manufacturing – one of the hardest hit sectors during this recession – began posting some positive numbers.

According to the Bureau of Labor Statistics, manufacturing added 11,000 jobs in January. And **manufacturing production** rose 1 percent, according to the Federal Reserve Board.

While the gains may be small, they may signify an end to the precipitous declines over the past two years.

Other key numbers from the past month:

**Wholesale prices** rose 1.4 percent in January, seasonally adjusted, the U.S. Bureau of Labor Statistics reported. At the earlier stages of processing, prices received by manufacturers

of intermediate goods climbed 1.7 percent, and the crude goods index jumped 9.6 percent. On an unadjusted basis, prices for finished goods moved up 4.6 percent for the 12 months ended January 2010, their third consecutive 12-month increase.

The Conference Board **Leading Economic Index** for the U.S. increased 0.3 percent in January, marking the tenth consecutive increase for the LEI. The **Coincident Economic Index** rose 0.2 percent in January, while the **Lagging Economic Index** declined 0.1 percent.

**Industrial production** increased 0.9 percent in January following a gain of 0.7 percent in December. The capacity utilization rate for total industry rose 0.7 percentage point to 72.6 percent, a rate 8.0 percentage points below its average from 1972 to 2009.

The **Purchasing Managers Index** rose to 58.4 percent, its highest level since August 2004, according to the latest Manufacturing ISM Report on Business. Both the **New Orders** and **Production indexes** were above 60 percent for the industry. The **Inventories Index** for January was at 46.5 percent.

The U.S. Census Bureau and the Department

continued on p.4 of this section

## Calculation of MDM Industrial Inflation Index for December 2009

	BLS Price Indices Dec. '09	BLS Price Indices Nov. '09	BLS Price Indices Dec. '08	% Sales Weight	Weighted Indices Dec. '09 (1)X(4)	% Change Dec. '09 Nov. '09	% Change Dec. '09 Dec. '08			
1136 Abr. Prod.	515.0	515.6	512.1	19.1	98.37	-0.12	0.58			
1135 Cutting Tools	450.9	451.2	450.6	18.9	85.22	-0.06	0.06			
1145 Power Trans.	717.9	720.7	724.2	15.4	110.56	-0.39	-0.86			
1081 Fasteners	472.3	475.0	492.9	9.0	42.51	-0.57	-4.16			
1149.01 Valves, etc.	859.4	859.4	854.4	7.6	65.31	0.00	0.59			
1132 Power Tools	337.4	337.2	344.7	6.5	21.93	0.07	-2.12			
1144 Mat. Handling	522.6	521.8	524.7	6.2	32.40	0.16	-0.38			
0713.03 Belting	622.2	623.5	607.4	6.1	37.95	-0.21	2.44			
1042 Hand Tools	735.6	733.2	734.5	8.1	59.58	0.33	0.14			
108 Misc. Metal	459.9	459.7	457.7	3.1	14.26	0.06	0.49			
<b>"New" December Index</b>					296.8	<b>December Inflation Index</b>		568.11	-0.11	-0.24
<b>"New" November Index</b>					297.2	<b>November Inflation Index</b>		568.76		
						<b>December 2008 Inflation Index</b>		569.46		

New index reflects 1977=100 base other #: 1967 To convert multiply by .52247