

# More good news hints at recovery

**Economy** | Consumer spending, construction and manufacturing reports lift markets

By **JEANNINE AVERSA**  
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WASHINGTON — Fresh signs emerged Monday that the recession is letting up.

Manufacturing's slide is slowing. Builders are boosting spending on construction projects — including homes. And consumers aren't cutting back as much as some had feared.

A trio of reports gave Wall Street a big lift on the same day that industrial icon General Motors Corp. filed for bankruptcy protection. The federal government is taking a majority ownership stake in the company, which announced new plant closings.

Investors and economists focused instead on the encouraging news about the economy.

The Dow Jones industrial average jumped 221 points, or 2.6 percent. And the Standard & Poor's 500 index and Nasdaq composite reached their highest levels this year. The Dow ended the day at 8,721.44, its highest close since early January. The S&P's 500 index rose 23.73, or 2.6 percent, to 942.87, while the Nasdaq rose 54.35, or 3.1 percent, to 1,828.68.

"What looked like a flicker of light at the end of the tunnel is

now starting to look like a beacon," said Richard Yamarone, economist at Argus Research. "We are no longer in the deep throes of recession. A recovery may be just a few months away."

Economists were especially heartened by a report from the Institute for Supply Management that showed U.S. manufacturing activity shrinking at a slower pace in May. Reports from Asia and Europe indicated similar improvements in their manufacturing sectors.

The institute's index came in at 42.8 — its highest since September and up from 40.1 in April. A reading below 50 still indicates activity contracted, but the figure surpassed economists' forecasts.

Importantly, an index of new orders placed with U.S. factories rose to 51.1 in May. It was the first time this barometer had grown since November 2007, the month before the recession began.

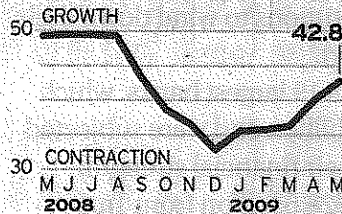
And businesses' inventories shrank, suggesting supplies will soon need to be replenished. That would boost factory production, aiding overall economic activity.

"The data add to mounting evidence of an abatement in the deep factory-sector recession," said Cliff Waldman, economist at Manufacturers Alliance/MAPI, a manufacturing research group.

"The worst has clearly passed for U.S. factories," he said.

## Manufacturing

Purchasing Managers' Index readings of greater than 50 indicate growth in manufacturing.



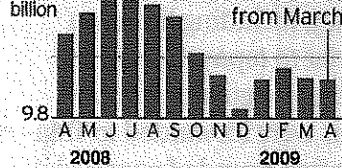
## Personal income

Seasonally adjusted **\$12.09**  
Up .5% from March



## Personal spending

Seasonally adjusted **\$9.93**  
Down .1% from March



Sources: Department of Commerce, Institute for Supply Management

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"Nonetheless, a real recovery might be months away. The global economic picture remains difficult, and financial

conditions are still problematic. But better days are clearly ahead."

Another report, from the Commerce Department, said construction spending rose a surprising 0.8 percent in April. Economists had been expecting a 1.2 percent decline.

It marked the second straight month that construction spending has risen. Before that, spending had fallen for five straight months. Private builders in April increased spending on housing projects, something that hadn't happened since August.

A third report showed consumers trimmed spending by 0.1 percent in April, slightly less than the 0.2 percent reduction economists were forecasting. Still, it marked the second straight month that consumers cut back, a reminder that many shoppers remain wary.

With unemployment rising, consumers are expected to stay fairly cautious in the months ahead. Because consumer spending accounts for roughly 70 percent of overall economic activity, it's closely watched by economists.

Americans' incomes — the fuel for future spending — jumped 0.5 percent in April after two straight months of declines. The improvement was due to tax cuts and benefit payments flowing from President Barack Obama's stimulus package. Wages and salaries were flat in April.