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Shh … Manufacturing is looking better

Psssst. Hey … down here. I'm the headline about 20 column inches below the story about Balloon Boy. Keep looking down. Down. Just below that expose about Polanski. See me? Good. Don't tell anyone, but manufacturing's getting a bit better. In fact, manufacturing may be the thing that pulls us all out of the economic doldrums; at least that's how some are reacting to the **Federal Reserve data** released Friday.

Yes, I'm serious. For real. It's true. Don't believe me? Well, Dean Maki, chief U.S. economist at Barclays Capital, told **Bloomberg,** "Manufacturing is turning around from deep recession to strong growth in a very short time. It's going to be one of the most important supports for growth."

Turns out that manufacturing grew at 5.2 percent in the third quarter, the most significant growth in years. Overall capacity utilization rose to 70.5 percent. The automotive sector grew 7.1 percent. And get a load of this: The metals sector, driven by an incredible demand for steel, surged *87 percent.* Maybe the recent stock market surge isn't as irrational as we thought.

Check out this statement Jennifer Lee made at BMO Capital Markets, as reported by the **Associated Press:** "Thanks to the Cash for Clunkers program, replenishing inventories, and exports, U.S. factories are getting back into business."

Hey! Whoa! No need to jump for joy here. Calm down. I mean, they're only numbers, right? Things aren't great yet. We seem to be getting off the mat, but many of us are still on our knees. Just look at what Nariman Behravesh, chief economist at IHS Global Insight, had to say to the AP: "The sharp rise in third-quarter production is not sustainable."

See? We're not out of the woods yet. There's nothing spectacular happening yet. OK, he went on to say, "Nevertheless, there are clear signs of a broad-based recovery in most ... sectors."

Hey, where did you get those party hats? Put those away. No need to get excited here. I mean, let's put these numbers in context. Yes, the metals sector surged 87 percent, but current output is still 28 percent below where it was this time last year. That shows just how much the mills slashed their production. Also, that 70.5 percent capacity utilization number is still about 10 percent below the average experienced in recent decades. And we still have that sticky issue of unemployment edging ever closer to double-digit territory. High unemployment drags down consumption. Government spending can't replace all consumer demand, can it?

Maybe we can export ourselves out of this mess. How about China? The falling dollar may help us here, and China's economy is steaming ahead, right? But now there's worry of yet another bubble happening there. The Chinese government created huge quantities of credit to support demand. Man, talk about deja vu! According to **reports,** there may not be much merit to those worries, but the worries are still there.

Regardless, this doesn't change the status of U.S. consumers. Are they ready to start buying? Are manufacturers and other businesses ready to start hiring, so that their new employees can build their savings and buy more?

Of course, most of us are still employed, thank goodness. Many of us have built up our savings just a bit. Going by the numbers, manufacturers may be preparing for us to get back to the shopping mall.

Shh! Calm down. Nothing's for sure here. Some consumers might drive to the mall, look at their thin wallets, and decide it would be best to drive back home. OK, you can keep your party hat. You may need it soon. But keep it in your desk or your locker, under your safety glasses. This business cycle seems to be breaking precedents. Who knows what's around the corner?

But for now, things are looking good. You may want to buy party invitations. But don't tell anyone, and for Pete's sake, don't send them out—yet.

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