US factory output rises 0.3 percent in December

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In this Jan. 7 2015 file photo, smoke emits from a factory chimneys near O'Hare airport in Chicago. The Federal Reserve releases industrial production figures for December on Friday, Jan. 16, 2015. (AP Photo/Nam Y. Huh, File)

U.S. factory production rose in December as manufacturers churned out more furniture, computers and clothing, offsetting a decline in autos.

Factory production increased 0.3 percent last month, the Federal Reserve said Friday, its fourth straight gain. The increase comes after output jumped 1.3 percent in November and finally surpassed its pre-recession peak.

The figures suggest that manufacturing, spurred by greater consumer spending, provided a solid boost to the economy in the final three months of last year. Americans' appetite for cars, computers and clothing is offsetting slower growth overseas that is shrinking manufacturers' export markets.

"Manufacturing has been a growth driver throughout the U.S. recovery from the Great Recession, and will remain so in the near term," said Gus Faucher, an economist at PNC Financial. "Consumers are buying more thanks to job gains, and will have even more money to spend with the big drop in gasoline prices."

Computer production rose 1.2 percent, the most in nearly a year and a half. Clothing output jumped 3.2 percent, after a big 2.3 percent gain the previous month.

Auto production slipped 0.9 percent, but that decline came after a 5.5 percent gain in November. Auto sales reached an eight-year high last year and are forecast to rise again in 2015.

Furniture output rose 0.5 percent, its fourth straight increase. In a positive sign for housing, the production of construction supplies rose 1.4 percent.

Overall industrial production, which includes mining and utilities, slipped 0.1 percent last month. Utility output plummeted 7.3 percent, as an unseasonably warm December lowered demand for heating.

Mining output, which includes oil and gas production, rose 2.2 percent after 2 months of declines. The Fed said that oil and gas extraction rose, but the increase was limited by declines in new drilling.

Paul Ashworth, an economist at Capital Economics, said the rise in oil and gas extraction shows that oil producers are still pumping despite price declines. That's likely to continue for the first half of this year, as producers seek to recover the cost of drilling the wells.

Overall industrial production increased in 2014 at the fastest pace in four years. That's pushed up the percentage of industrial capacity being used to 79.7 percent, just 0.4 percentage points below its four-decade average.

That suggests that manufacturers, in order to ramp up production further, will have to expand their plants, which would give a solid boost to the economy. Otherwise, higher demand will likely push up prices, potentially leading to inflation.

Recent reports on U.S. manufacturing have been mixed, but overall they point to modest growth.

Factory activity expanded at a solid pace last month, according to a survey by the Institute for Supply Management, but much more slowly than in November. The survey found that measures of orders and production grew at a weaker pace.

And orders for U.S. manufactured goods fell in November, the government said last week, as factories saw less demand for industrial machinery and primary metals.

U.S. manufacturing is being challenged by a turbulent global economy. Japan has dipped into recession. Tepid growth has trapped much of Europe. China, the world's industrial behemoth, is trying to tighten credit and reform its opaque financial sector.

The rising value of the dollar against other currencies makes U.S. products more expensive abroad, meaning that U.S. manufacturers will need to rely on domestic demand for growth.