FACTORY PRODUCTION PICKS UP U.S. ECONOMY WEATHERING EUROPE CRISIS

In October, industrial production in the U.S. advanced more that was forecasted, adding to evidence the world's largest economy is weathering disruption in financial market caused by the European crisis. The figures from the Federal Reserve showed today that the output at factories, mines and utilities climbed 0.7 percent after a revised 0.1 percent in September. Other reports showed that the cost of living unexpectedly fell and the builder sentiment improved. Combined with the rising sales and the record exports, the data signal manufacturing will help the economic recovery strengthen heading into 2012, overcoming concern surrounding a default in Europe that has caused the stocks to plunge. Less inflation will also open new doors for Fed policy makers to take additional action if the expansion should falter. ''We're likely to continue gradually working through all these imbalances, with the economy improving,'' said Richard DeKaser, who is the deputy chief economist at Parthenon Group Inc. in Boston, who also correctly forecasted the gain in production. ''People should not be concerned about inflation at this point. The Fed has fee reign to ease monetary policy if it chooses.'' The stocks slid as Fitch Ratings said that the further contagion from Europe's debt crisis would pose a risk to the American banks. The euro was weak, while the oil climbed to a five-month high above $102 a barrel. At the close in New York, the Standard & Poor's 500 Index dropped 1.7 percent to 1,236.91. The median forecast from the 83 economists that were surveyed by Bloomberg News called for 0.4 percent gain in production. The estimate ranged somewhere from the increases of 0.1 percent to 0.8 percent. The Labor Department showed that the cost of living dropped for the very first time in four months in October. In September, the consumer price index declined 0.1 percent from the prior month after a 0.3 percent rise. The so-called core rate that excludes volatile food and fuel costs rose 0.1 percent, matching that of September as the smallest gain of this year. Over the past 12 months, prices have climbed 3.5 percent, the smallest year-over-year gain since April. ''The inflation outlook is pretty benign,'' said Guy LeBas, who is the chief fixed-income strategist at Janney Montgomery Scott LLC in Philadelphia, and who also correctly projected the CPI decline. ''The fact that recent higher readings are moderating certainly speaks well to the Fed's accommodative policy.'' Today, the National Association of Home Builders/Wells Fargo index of builder confidence rose to 20 in the month of November, which is the highest level it’s been up to since May 2012, says the Washington-based group. Readings lower than 50 mean more respondents said that the conditions were poor. ''Well-qualified buyers in select areas are being tempted back into the market by today's extremely favorable mortgage rate and prices,'' NAHB Chief Economist David Crowe said in a recent statement. ''We are anticipating further, gradual gains.''