

U.S. Economic Growth Up To Modest 2 Percent Rate

Christopher S. Rugaber, AP Economics Writer

WASHINGTON (AP) — The U.S. economy grew at a slightly faster 2 percent annual rate from July through September, buoyed by more spending by consumers and the federal government.

Growth accelerated from the 1.3 percent rate in the April-June quarter, the Commerce Department said Friday.

The report is the last snapshot of economic growth before Americans choose a president in 11 days. The pickup in growth could lend weight to President Barack Obama's message that the economy is improving.

Still, growth remains too weak to rapidly boost hiring. And the 1.74 percent annual growth rate for the first nine months of 2012 trails last year's 1.8 percent growth — a point that Republican nominee Mitt Romney has emphasized.

"Growth came in a little higher than we had feared, largely because of the big jump in federal spending," said Paul Ashworth, chief U.S. economist at Capital Economics. "But the economy is still not growing rapidly enough to create sufficient jobs to reduce the unemployment rate."

The economy grew faster last quarter in part because consumer spending rose at a 2 percent annual rate, up from a 1.5 percent rate in the second quarter. Spending on homebuilding and renovations increased at an annual rate of more than 14 percent.

And federal spending surged, mainly because of the sharpest increase in defense spending in more than three years.

Growth was held back by the first drop in exports in more than three years and flat business investment in equipment and software.

The economy was also slowed by the effects of the severe drought that struck last summer in the Midwest. The drought cut agriculture stockpiles and reduced the annual growth rate by nearly a half-point. Once crop supplies return to normal, they will help boost economic growth, analysts noted.

The government's report covers gross domestic product. GDP measures the nation's total output of goods and services — from restaurant meals and haircuts to airplanes, appliances and highways.

It was the government's first of three estimates of growth for the July-September

U.S. Economic Growth Up To Modest 2 Percent Rate

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

quarter. And it sketched a picture that's been familiar all year: The economy is growing at a tepid rate, slowed by high unemployment and corporate anxiety over an unresolved budget crisis and a slowing global economy.

It is unclear what effect, if any, Friday's report might have on the presidential race. Some analysts said they doubted it would sway many undecided voters in battleground states.

University of Michigan economist Justin Wolfers tweeted that it was ridiculous to "judge a presidency on one mildly positive yet-to-be-revised backward-looking quarterly datapoint."

The factors supporting the economy's growth are shifting. Exports and business investment drove much of the growth after the Great Recession officially ended in June 2009. But those sectors are weakening. Consumer spending, meantime, has picked up. And housing is adding to growth after a six-year slump.

Consumer spending drives nearly 70 percent of economic activity.

Businesses have grown more cautious since spring, in part because customer demand has remained modest and exports have declined as the global economy has slowed.

Many companies worry that their overseas sales could dampen further if recession spreads throughout Europe and growth slows further in China, India and other developing countries. Businesses also fear the tax increases and government spending cuts that will kick in next year if Congress doesn't reach a budget deal.

Since the recovery began more than three years ago, the U.S. economy has grown at the slowest rate of any recovery in the post-World War II period. And economists think growth will remain sluggish at least through the first half of 2013.

Some analysts believe the economy will start to pick up in the second half of next year.

Source URL (retrieved on 09/16/2014 - 10:49pm):

http://www.impomag.com/news/2012/10/us-economic-growth-modest-2-percent-rate?qt-recent_content=0