Economic indicators rise 0.3 % in August

Analysts warn of new recession risk

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The Associated Press

WASHINGTON — The economy will likely expand this fall at a weak pace, but the risk of another recession is rising, a private research group says.

The Conference Board said Thursday that its index of leading economic indicators rose 0.3 percent in August, the fourth consecutive increase. But the growth was not broad-based, mostly stemming from an improvement in financial conditions, such as low interest rates.

"There is growing risk that sustained weak confidence could put downward pressure on demand and business activity, causing the economy to potentially dip into recession," said Ken Goldstein, an economist at the Conference Board. "While the chance of that happening remains below 50-50, the odds have certainly increased in recent months."

Just four of the 10 measures that the Conference Board uses to compile its index improved in August. Two involved financial conditions. Building permits also rose. Without the Federal Reserve's efforts to keep rates low, the index likely would've fallen last month, economists said. Declining factory orders, plummeting consumer confidence, and rising unemployment benefit applications were among six measures that weakened in August.

Recent economic reports suggest the economy is barely growing. Retail sales in August were flat, indicating consumers are holding back on spending. Sharp drops in the stock market last month and political bickering over the borrowing limit sent consumer confidence indexes plunging to the lowest levels since the recession.

Many economists put the odds of another recession at about one-third.

Employers failed to add any jobs in August, and the unemployment rate was still high at 9.1 percent. Applications for jobless benefits fell last week, the Labor Department said Thursday, but they've risen since last month. That's a sign layoffs are up and jobs are still scarce.

Most economists think growth will pick up some in the second half 2011, to just below 2 percent. That would be an improvement over 0.7 percent growth in the first half of the year. But it's far below the 5 percent rate most economists say is required to reduce the unemployment rate.