Modest growth



Manufacturing expanded in September more than in August, but growth remained weak. Also, construction spending rose modestly in August. FRANK BOWMER/AP

Economy better, but threats remain

By Martin Crutsinger
The Associated Press

WASHINGTON — The U.S. economy is managing to grow modestly, reports Monday showed, despite high unemployment and growing alarm about Europe's debt.

Manufacturing expanded in September more than in August, though the pace of growth remains weak, according to a survey by the Institute for Supply Management.

ISM's manufacturing index rose for the first time in three months.

And construction spending rose modestly in August, the government said. The gain was due mostly to a pickup in state and local government projects.

U.S. auto sales rose in September, largely because consumers bought more pickups and SUVs, U.S. automakers said.

Collectively, the reports suggested the U.S. economy may be able to avoid another recession.

Economists said the manufacturing and construction reports are consistent with annual growth of about 2 percent to 2.5 percent for the July-September quarter.

That would be an improvement from the 0.9 percent in the first six months of the year.

But it wouldn't be enough to reduce the unemployment rate, which is 9.1 percent.

The reports are "mildly encouraging," said Paul Ashworth, chief U.S. economist at Capital Economics. "But even if the U.S. avoids a recession, economic growth is going to remain lackluster."

Manufacturing executives said their volume of new orders shrank for the third straight month. That doesn't bode well for future production.

The ISM's manufacturing index rose to 51.6, up from 50.6 in August. A reading above 50 indicates expansion.

Measures of production and exports grew, while a gauge of new orders was unchanged. Factories also added workers, the report said.

Manufacturing sector has been a key driver of the economy's growth since the recession officially ended in June 2009.

But manufacturing accounts for only 11 percent of the economy .

Construction spending rose 1.4 percent in August, the Commerce Department said. That followed a 1.4 percent drop in July, the biggest setback in six months.

Analysts said much of the increase stemmed from a jump in spending on government projects, such as roads and schools.