Economy grew at a slow 1% in spring

Sluggish rate reignites fears of a double-dip recession

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WASHINGTON — The U.S. economy grew at a meager 1 percent annual pace this spring, slower than previously estimated. The downward revision stoked fears that the economy is at risk of another recession.

Fewer exports and weaker growth in business stockpiles led the government to lower its growth estimate for the April-June quarter from the initial 1.3 percent rate.

The economy expanded only 0.7 percent in the first six months of the year, the Commerce Department said Friday.

Nine of the past 11 recessions since World War II have been preceded by a period of growth of 1 percent or less, economists note.

"The economy is teetering on the edge of a renewed recession," said James Marple, an economist at TD Securities. "With such a thin margin of error ... any renewed shock could push the economy over the edge."

Federal Reserve Chairman Ben Bernanke proposed no new steps to boost the economy in a highly anticipated speech in Jackson Hole, Wyo. Instead, he pressed Congress to do more to encourage expansion and hiring.

Bernanke did say the U.S. is on track for long-term economic growth, which helped the stock market turn positive after earlier losses. The Dow Jones industrial average gained more than 150 points in afternoon trading. Broader indexes also increased.

Economists said the revision hasn't changed their growth forecasts. Most expect slightly better growth in the second half of the year of roughly 1.5 percent to 2 percent.

That level of growth would likely cool recession jitters. But it is not enough to make a noticeable dent in the unemployment rate, which was 9.1 percent in July.

Some economists worry that this summer's sell-off on Wall Street could hamper growth further, if consumers and business pull back on spending and investment. The stock market has lost 12 percent of its value since July 21.

There were some good signs in the report. Corporate profits rose faster than the previous quarter. The decline in business stockpiles suggests factories may step up production to fill future orders.

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The revision also showed consumers and businesses spent a bit more in the spring than in the government's first estimate. Consumers spent more on health care, insurance and financial services. Businesses bought more equipment and software and invested in more buildings.

Consumer spending was revised up to a 0.4 percent gain, slightly better than the first estimate of 0.1 percent. Still, that's the weakest growth since the final three months of 2009.

People bought fewer long-lasting manufactured goods, such as autos and appliances. Those purchases fell 5.1 percent this spring, the biggest drop since the fall of 2008. That partly reflects a shortage of autos on many dealer lots after the March 11 disasters in Japan. Consumers spending accounts for 70 percent of growth.

Government spending contracted for the third straight quarter. And spending by state and local governments declined for the seventh time in eight quarters.

Corporate profits remained healthy, as they have throughout the recovery. They rose 3 percent, up from a 1 percent gain in the first quarter.

Several dismal economic reports have suggested the economy worsened in the July-September quarter, sending the stock market lower. Manufacturing in the mid-Atlantic region contracted in August by the most in more than two years, a survey by the Federal Reserve Bank of Philadelphia found. A Richmond Fed survey released Tuesday and a New York Fed survey last week also pointed to slowdowns in those areas, although not as severe.

Still, other reports offer a more optimistic picture. The economy added 117,000 net jobs in July, twice the number added in each of the previous two months. Consumers spent more on retail goods last month than in any month since March. U.S. automakers rebounded last month to boost factory production by the most since the Japan crisis.

Thursday's report is the second of three estimates the government issues for each quarter's economic growth. The estimates are updated with more recent data that wasn't available for the first take.