Strongest growth in 2 years

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ELAINE THOMPSON / AP

Baker Tamara A. Vypolzova puts together smoked salmon pate piroshkys at the Piroshky Piroshky Russian bakery in the Pike Place Market in Seattle.

Economy grew at torrid 3.5 percent rate in 3Q

By Paul Davidson
USA TODAY

The economy grew at a 3.5 percent pace in the third quarter, best showing in two years, fueled by government-supported spending on cars and homes.

It was the strongest signal yet that the longest, deepest downturn since the Great Depression is ending.

But a second report out Thursday showed the number of people claiming jobless benefits for the first time droppped only slightly in the latest week, evidence that the labor market remains weak.

The Labor Department said Thursday that the number of newly laid-off workers seeking unemployment insurance fell 1,000 to a seasonally-adjusted 530,000 last week. Analysts expected a steeper drop to 521,000.

In the larger gross domestic product report, the Commerce Department said GDP — the broadest gauge of economic activity — rose for the first time since last year's second quarter.

Many economists believe that while the recession that began in December 2007 is history, the third-quarter spurt

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was largely fueled by government incentives and industry trends that will fade, leaving a wobbly economy.

The latest USA TODAY/IHS Global Insight Economic Outlook Index predicts moderating growth through early next year.

Brisk spending by the federal government certainly played into the third-quarter turnaround. Federal government spending rose at a rate of 7.9 percent in the third quarter, on top of an 11.4 percent growth rate in the second quarter.

Businesses boosted spending on equipment and software at a 1.1 percent pace in the third quarter, first increase in nearly two years.