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Economy grows faster July-Sept.

Government report shows GDP boost

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Associated Press

WASHINGTON — 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. Still, growth remains too weak to boost hiring rapidly.

"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 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 severe drought last summer in the Midwest.

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 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 about an unresolved budget crisis and a slowing global economy.

While growth remains modest, the factors supporting the economy have changed. Exports and business investment drove growth for most of the recovery but are now fading.