Economy shows more signs of improvement

By Christopher S. Rugaber and Martin Crutsinger
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WASHINGTON — Adding to evidence the recession has ended, housing construction rose in August and fewer laid-off workers sought jobless aid last week.

Still, the reports suggested a slow and fragile economic recovery. The rise in housing starts was due solely to a jump in the volatile apartment-building category, and unemployment claims remain far above levels associated with a healthy economy.

And even as the housing industry begins to recover from its worst downturn in decades, a glut of unsold homes and record levels of home foreclosures are weighing on the industry.

Construction of single-family homes and apartments rose 1.5 percent to an annual rate of 598,000 units, the highest level since November, the Commerce Department said Thursday. That was slightly lower than the 600,000-unit pace economists had expected. And it remains more than 70 percent below the peak rate hit in 2006.

The tentative improvements in housing are most likely a rebound "from unsustainably weak results ... reinforced by a temporary boost to demand" from the $8,000 first-time homebuyer tax credit that ends Nov. 30, Joshua Shapiro, chief economist at MFR Inc., wrote in a note to clients.

"Gains from here on will probably be much more difficult to achieve," due to high unemployment, tight credit and the large number of homes already on the market, he said.



ED REINKE / The Associated Press
Wilbert Woodward fills out an application for United Parcel Service during a job fair in Louisville, Ky.

mand from first-time buyers for smaller homes, he added.

Initial claims for unemployment benefits dropped last week to a seasonally adjusted 545,000 from 557,000 the previous week, the Labor Department said.

Wall Street economists had expected a small rise, according to Thomson Reuters.

The decline was the third in the past four weeks. The four-week average, which smoothes out fluctuations, dropped to 563,000. Despite the improvement, that's far above the 325,000 per week typical in a healthy economy.

Thursday's reports come a day after the Federal Reserve said production by the nation's factories, mines and utilities rose for the second straight month in August, another sign the recession is ending.

Fed Chairman Ben Bernanke on Tuesday said the recession is likely over but added that the economy isn't likely to grow fast enough to lower unemployment anytime soon.

ECONOMY
FROM PAGE 1B

Applications for building permits, a gauge of future activity, rose 2.7 percent in August to an annual rate of 579,000 units.. But for single-family homes, permits dipped 0.2 percent. They rose 15.8 percent for multi-family units.

New-home construction could rise further in the next few months as builders respond to greater de-

New data signal a fragile recovery



GERRY BROOME / The Associated Press
More units are going up in the Briar Chapel community near Chapel Hill, N.C.