

Economy up slightly in much of nation

Businesses cautious on
spending in some regions

By Martin Crutsinger

The Associated Press

WASHINGTON — Most areas of the country reported slight economic improvement in September and early October, according to a Federal Reserve survey of its 12 bank regions. But several regions said a hazier economic outlook is making businesses more cautious and holding back their spending.

The Fed said Wednesday that consumer spending rose slightly in most districts. A key reason was more people buying new cars, in part because dealers had a greater selection of models.

Manufacturing also rebounded, particularly in the auto industry that has been hampered since the March 11 earthquake in Japan.

Still, in some regions, businesses outside the auto industry reported a weaker and more uncertain outlook, which raised caution and weighed on those companies' spending plans.

Three of the regions — Philadelphia, Richmond, and Chicago — indicated that many retailers were reluctant to build up their stockpiles ahead of the holiday season because of sliding consumer confidence.

The uncertainty appeared to rattle financial markets, which had been trading higher most of the day. Stocks fell after the report was released.

The report, known as the Beige Book, covered the period from Aug. 27 through Oct. 7. The previous survey found growth more uneven across the country after a difficult summer that included wild fluctuations in the stock market.

"A month ago a lot of people were worried about the possibility of a double-dip recession. This report shows we are not headed down but we are still expanding at a very slow pace," said Sung Won Sohn, an economics professor at the Martin Smith School of Business at California State University.