

# USA TODAY MONEY

## Fed says economy expanding

### Consumer spending up as board ponders hike in interest rates

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In a report that could help the Federal Reserve decide whether to raise interest rates this month, the central bank said Wednesday the U.S. economy grew a bit more slowly from early July to mid-August as consumer spending accelerated but a strong dollar and low oil prices continued to weigh.

After recent market turmoil, some economists say the report

and Friday's August employment tally need to significantly beat expectations to nudge the Fed into lifting its benchmark rate for the first time in nearly a decade.

The Fed meets Sept. 16-17.

By itself, at least, the anecdotal snapshot of conditions around the country didn't appear to provide the Fed ammunition to pull the trigger. Growth was moderate in half of the Fed's 12 bank districts but modest in New York, Philadelphia, Atlanta, Kansas City, Mo., and Dallas, according to the "beige book," named for the color of its cover. The Cleveland economy ticked up only slightly.

While manufacturing activity generally advanced, the strong dollar bolstered imports and hurt



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**Auto sales were a bright spot in Philadelphia, Atlanta, Chicago and San Francisco.**

exports. And consumer spending picked up on brisk auto sales but at a slower pace than previously reported.

The report appears to cover a time frame that preceded recent

volatility in financial markets.

It provides no signal that payroll growth for August will exceed the roughly 200,000 monthly rate so far this year. Most areas reported "slight to modest growth in employment," though hiring strengthened noticeably in New York.

Wages notched just "slight to moderate increases." But several areas reported "increasing wage pressures" as the unemployment rate falls. The Fed is looking for pay growth to pick up from the modest 2% annual pace that has prevailed throughout the recovery.

Perhaps the economy's strongest pillar in recent months has been the auto industry, which is

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supporting both retail sales and manufacturing. Sales were a bright spot in several regions, including Philadelphia, Atlanta, Chicago and San Francisco.

Manufacturers in the Cleveland, Richmond, Va., and Chicago areas all posted strong growth in auto-related production. And the aerospace industry fueled factory activity in Chicago, Dallas and San Francisco.

Retail sales were varied but picked up in the Richmond, Philadelphia, Chicago, Kansas City and San Francisco areas. The housing market has been resurgent lately, and that continued the past six weeks, with home sales and prices rising in every district.