# Service sector slowly expanding

BY CHRISTOPHER S. RUGABER
ASSOCIATED PRESS

WASHINGTON — Service companies that employ 90 percent of the U.S. work force expanded at a slightly slower pace in September and hiring slowed.

Hotels, restaurants and financial service firms saw less business last month, largely because meager pay increases and higher food and gas prices forced many Americans to spend more carefully.

The Institute for Supply Management said Wednesday that its service sector index dipped to 53 from 53.3 in August. Any reading above 50 indicates expansion.

The service sector has now expanded for 22 months, although the index has dropped steadily since hitting a five-year high in February.

There were some positive signs in the report that suggest future sales could pick up. New orders rose to its highest level since May and order backlogs grew for the first time in four months.

Stocks rose after the report was released. The Dow Jones industrial average rose 36 points in morning trading. Broader indexes also rose.

"The economy continued to limp along in September but there is no suggestion in the data thus far that the economy is slipping into recession," said John Ryding, an economist at RDQ Economics, in a note to clients.

Still, many economists were more focused on a measure of hiring that fell to an 18-month low. That suggests firms cut staff in September. And it could be a bad sign for the September employment report, which the government will release Friday.

"The sharp drop in September is quite worrisome," said Joshua Shapiro, an economist at MFR Inc., in a note to clients. "If this was not an aberration, in all likelihood we are going to see private ... payrolls disappoint in the months ahead."