U.S. Economy Starts to Gain Momentum

GDP Jump Adds to String of Solid Data; Sustainable Run or Another False Start?

By Josh Mitchell And Neil Shah

The U.S. economy grew at its fastest pace in two years, as a recovery that has otherwise chugged along in fits and starts builds up a head of steam going into the new year.

The government's main growth gauge—gross domestic product—grew at a 4.1% annual rate in the third quarter, marking only the second time since the recovery began in 2009 that the output of goods and services expanded above 4%. Friday's report showed consumer spending—a key driver of the economy—grew at a 2% annual rate in the summer, instead of the previously estimated 1.4%.

Other recent data suggest Americans have kept shopping, even in the face of budget turmoil in Washington that temporarily darkened their mood. Meanwhile, home builders are stepping up construction, manufacturers have ramped up production and hiring continues at a steady pace. As a result, many economists expect annualized growth in the second half of this year of about 3%, higher than the 1.8% pace in the first half.

While there is still reason for caution, since a large chunk of the GDP growth was the result of companies piling up goods for inventory, the larger picture is of an economy finally firing on more cylinders.

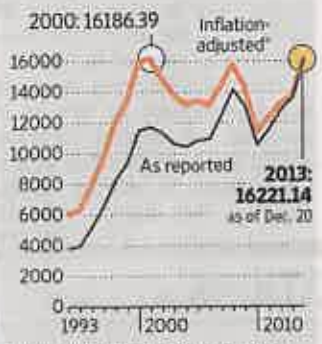
The U.S. economy seems to be getting "a little bit better," said General Electric Co. Chief Executive Jeff Immelt, speaking after an investor meeting this past week. "We've seen some improvements in commercial demand for credit," he said, a positive sign that companies are investing. Friday's GDP report showed a broad measure of business spending rose 4.8%, a slight uptick from the prior quarter.

Friday's strong report pushed stocks to an inflation-adjusted record. The Dow Jones Industrial Average on Friday gained 42.06 points, or 0.3%, to 16221.14. That surpassed the Dow's January 2000 high of 16186.39 once the average is ad-

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Passed Peak

The highest point reached by the Dow Jones Industrial Average in any given year



*Using consumer-price index, through Nov.
Sources: S&P Dow Jones Indices; Labor Dept.
The Wall Street Journal

◆ Dow hits 'another' record, this one adjusted for inflation... B1