BUSINESS

US economy picking up steam

Improvement suggests Federal Reserve more likely to taper off bond buying program

By Christopher S. Rugaber
Associated Press

WASHINGTON — The economy is showing strength as summer nears a close — a trend that's raising the likelihood that the Federal Reserve will slow its bond buying later this month.

The steady improvement is also lifting hopes for Friday's report on job growth last month. The August gain is expected to nearly match the year's monthly average of 192,000 jobs.

On Thursday, reports showed that services companies are stepping up hiring and that a dwindling number of people are losing jobs. Those figures follow reports of stronger auto sales and faster expansion by U.S. factories.

This year's solid job growth, along with a sharp drop in layoffs, has helped lower the unemployment rate to 7.4 percent from 7.9 percent in January. It also means more Americans are earning paychecks and will likely boost consumer spending in coming months.

Analysts predict that employers added 177,000 jobs in August.

"People are finding work, and they have more money to spend," said Drew Matus, an economist at UBS.

The improved jobs picture is a key reason most economists expect the Fed to announce later this month that it will scale back its bond buying. The Fed's $85 billion a month in Treasury and mortgage bond purchases have helped keep home-loan and other borrowing rates ultra-low to encourage consumers and businesses to borrow and spend more.

Chairman Ben Bernanke has said the Fed could begin slowing its bond purchases by year's end if the economy continued to strengthen and end the purchases by mid-2014. At its policy meeting Sept. 17-18, the Fed will debate whether to taper its monthly purchases and, if so, by how much.

Still, more than four years after the recession officially ended, the economy has a long way to go return to full health.