Weak data provide reality check on economy

More volatility likely in course of turnaround, analysts say

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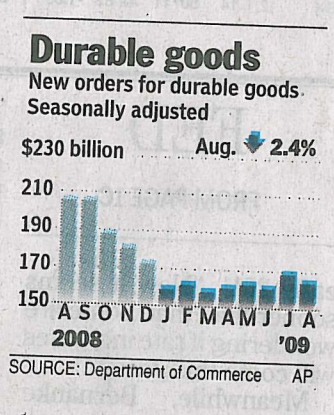
WASHINGTON — A reminder that the path to an economic recovery will be a slow and bumpy one emerged Friday from weaker-than-expected data on durable goods orders and new home sales.

The reports "are a wake-up call for anyone expecting a smooth transition to a strong economic recovery," said Paul Ashworth, senior U.S. economist for Capital Economics.

The durable goods figure caused some economists to lower their forecasts for third-quarter economic growth. Still, the volatility isn't unexpected as the economy struggles to rise from the worst recession since the 1930s.

"No one said this would be a smooth recovery," said Benjamin Reitzes, an economist at BMO Capital.

The reports also reflect the uncertainty that lies ahead as some government stimulus efforts wind down.



Even as the housing sector is recovering, for example, a tax credit for first-time buyers that's helped boost sales is set to expire Nov. 30. There's a bipartisan push on Capitol Hill to extend the credit, but prospects for the real estate market remain hazy.

Similarly, while the manufacturing sector has made gains, they're partly due to the Cash for Clunkers program that supplied buyer rebates but that ended last month.

And the banking system has managed to stabilize mainly because of extraordinary aid from the Feder-

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