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U.S. Economy Began to Grow Again in 3rd Quarter

By [CATHERINE RAMPELL](#)

The United States has emerged from the longest economic contraction since World War II.

The nation's [gross domestic product](#) expanded at an annual rate of 3.5 percent in the quarter that ended in September, matching its average growth rate of the last 80 years, according to the Commerce Department. But government programs to encourage consumer spending on things like cars and houses are expiring, and employers remain reluctant to hire more workers, suggesting the recovery may not last, economists say.

"The big-picture perspective is that things have improved," said Jan Hatzius, chief United States economist at [Goldman Sachs](#). "The question is, how sustainable is this growth going forward?"

For most people, the recovery will not feel real until jobs are more plentiful and the housing market improves. Jobs may still be hard to find well into 2010, economists say. A government report to be released next week is expected to show that unemployment rose again this month.

Still, Wall Street welcomed the news of renewed economic growth, with major stock indexes ending the day about 2 percent higher. The Dow Jones industrial average soared 200 points, to close at 9,962.58.

Before the third quarter, the gross domestic product — the broadest measure of the government's total goods and services produced — had been shrinking for a year. It bottomed out with a 6.4 percent rate of decline in the first three months of this year, the steepest fall since 1982.

The trend was halted last quarter primarily because of consumers, who drove most of the economic gains.

The government's cash-for-clunkers program spurred consumers to spend more on durable goods, orders of which grew at an annual rate of 22.3 percent in the third quarter after a decline in the previous quarter. Similarly, the \$8,000 federal tax credit for first-time home buyers helped revive housing sales, which rose at an annual rate of 23.4 percent in the third quarter. Housing sales had actually fallen by a comparable amount in the previous three months.

The \$787 billion [stimulus package](#), which was passed last winter and is still being distributed, is also credited with strengthening economic activity, although the precise contribution is

contested.

Many economists worry that the effects of these government initiatives will be short-lived and that the next few quarters may show sluggish growth or even a second dip.

The Obama administration has argued that even temporary government programs may make families feel more comfortable with spending and business more comfortable with making bigger investments for the longer term.

Still, withering consumer confidence and concerns about a weak recovery have left companies wary of hiring more employees. The jobless rate reached 9.8 percent in September, its highest in 26 years.

Initial jobless claims fell by 1,000 in the latest week, to 530,000, according to a Labor Department report also released on Thursday. The number has been heading down but is still well above the levels historically associated with job creation, according to John Ryding, chief economist at RDQ Economics.

Concerns about rising unemployment may pressure the administration to look for additional ways to stimulate the economy. Proposals include another extension in unemployment benefits and various job creation programs.

“It’s all in the hopper,” said [Christina D. Romer](#), chairwoman of the president’s [Council of Economic Advisers](#). “It would be irresponsible if we weren’t thinking about these kinds of programs.”

Businesses are drawing down their inventories more slowly, possibly because they anticipate more demand in the future, economists said. The businesses have largely sold out their current stock, Thursday’s report showed. This means they will increase orders in the coming months to replenish supplies.

“Everybody had been dealing with a just-in-time status quo,” said Sandra Westlund-Deenihan, president and design engineer for Quality Float Works, a company in Schaumburg, Ill., that makes valve assemblies. She said companies might be growing tired of building new products as orders rolled in one by one, and are now ready to have stock back on the shelves again.

Like many American manufacturers, Ms. Westlund-Deenihan says that international business has helped keep her company afloat. The country’s overall exports grew at an annual rate of 14.7 percent, and imports at 16.4 percent, in the latest quarter.

While these numbers mean the United States’ trade gap has widened, they also provide hope that the global economy may finally be recovering from a collapse in activity earlier this year.

“When the economy gets fully back on track in the latter half of next year, the recovery is likely to be stronger than the recovery following the 2001 [recession](#), when exports were anemic due to an overvalued dollar and weak growth abroad,” said David Huether, chief economist at the

[National Association of Manufacturers.](#)

The official end of the recession will be determined by the [National Bureau of Economic Research](#). Its business cycle dating committee looks at output as well as other indicators like employment to make that call. The group spent a year examining data before declaring that the recession had begun in December 2007.

Some economists say they expect the panel will eventually decide that the recovery began sometime this summer.

[The third-quarter economic growth](#) came without a major surge in inflation.

The price index for gross domestic purchases, a measure of prices that United States residents pay for goods and services, increased at an annual rate of 1.6 percent in the third quarter, compared with a small increase in the second.

Excluding food and energy prices, the inflation index rose 0.5 percent in the third quarter, compared with an increase of 0.8 percent in the second.

Javier C. Hernandez contributed reporting.

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