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# Housing stall remains a drag on the economy

By **Jeannine Aversa**, Associated Press

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WASHINGTON - The economy felt the strain of the housing bust and lost momentum during late summer, with more sluggish performances expected in the months ahead.

Growth slowed to a 2 percent pace in the July-through-September quarter, the Commerce Department said Thursday.

That was slightly worse than the 2.2 percent annual rate the government estimated a month ago, yet better than the anemic 1.6 percent rate initially calculated for those months.

Still, the message was clear: The deepening housing slump is crimping growth. Investment in home building declined at an 18.7 percent rate -- even more than previously estimated -- and was the largest cut in 15 years. That shaved 1.2 percentage points off third-quarter growth, the most in nearly 25 years.



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Stocks fell after the Philadelphia Federal Reserve's December business index, which gauges regional manufacturing activity, moved into negative territory. The Dow Jones industrials fell 42.62, to 12,421.25.

Even with expectations that economic activity will continue to be subpar, most analysts do not expect that the housing market will push the economy into a recession.

Economists say the gross domestic product in the October-through-December quarter could come in at a pace of 1.7 to 2.5 percent, or slightly higher; estimates for the first quarter of 2007 are in the same range.

Gross domestic product measures the value of all goods and services produced in the United States. It is the best barometer of the country's economic health.

In other economic news, the Conference Board reported that its index of leading economic indicators advanced 0.1 percent in November, suggesting that the economy is not in danger of stalling.

The Labor Department said that the number of newly laid-off workers signing up for unemployment benefits rose last week by 9,000, to 315,000.

An inflation gauge tied to the GDP report showed that core prices -- excluding food and energy -- rose at a rate of 2.2 percent in the third quarter, down from a 2.7 percent pace in the second quarter. Energy prices, which had soared in the summer, have calmed.

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