

Slowdown fears fade as economy shows muscle

WASHINGTON (Reuters) — A few months ago economists were all but certain the U.S. economy would slow sharply at the start of this year, with many warning that recession risks were growing.

That pessimism has been shaken off by a string of surprisingly solid data that paint a picture of an economy with building momentum.

The jobs market is picking up, manufacturing is accelerating and the service sector is also flexing its muscle — good news for President Barack Obama, who faces an election battle in November.

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The main reason for this newfound optimism is rising employment, which should help support the consumer spending that drives two-thirds of U.S. economic activity.

Even Nobel economist Paul Krugman, who has pushed for years for more aggressive policies to spur growth, let a notable ray of light into his latest New York Times column, coupled as it was with a reminder that the economy remained depressed.

"It's not hard to see how this recovery could become self-sustaining," he wrote.

Employers added 243,000 new jobs in January, the most in nine months, and the jobless rate dropped to a three-year low of 8.3 percent.

In manufacturing, activity picked up for a third straight month in January with a growing backlog of orders suggesting the strength would be maintained.

A similar picture emerged from the economy's vast services sector, which enjoyed its strongest months in nearly a year.

"The downside risks are evaporating and we are seeing some upside risks to growth," said Harm Bandholz, chief U.S. economist at Unicredit Research in New York.

Greeks fail to strike deal

ATHENS (Reuters) — Greek leaders failed early on Thursday to agree on reforms and austerity measures, the price of a bailout to avoid a messy default, forcing Finance Minister Evangelos Venizelos to go to the country's financial backers with an incomplete deal.

Athens' partners in the European Union and the International Monetary Fund are increasingly exasperated by a lack of agreement on the measures they demand in return for a 130 billion euro (\$172 billion) bailout and time is running out for Greece before a major March 20 bond redemption.

Euro zone officials say the full package must be agreed with Greece and approved by the EU, IMF and European Central Bank

before Feb. 15 so legal paperwork can be completed in time to avoid a chaotic default that could threaten global economic recovery.

But after all-night talks with leaders of the three parties in the Greek coalition and with chief EU and IMF inspectors, Venizelos emerged shortly before dawn to say that one issue was unresolved.

A spokesman for the socialist PASOK party said disagreement over pension reform had been the stumbling block.

Venizelos had hoped to present to his fellow euro zone finance ministers in Brussels a fully-fledged deal on a new bailout plan, including a commitment for 3.3 billion euros in budget cuts this year.

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