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U.S. economic growth seen resuming in third quarter

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WASHINGTON (Reuters) - The U.S. economy is expected to begin growing in the second half of this year, while the jobless rate is expected to peak in the first quarter of 2010, according to a survey of top forecasters released on Sunday.

The consensus forecast of panelists surveyed in the Blue Chip Economic Indicators newsletter for May predicted economic growth, as measured by real gross domestic product, would shrink 2.8 percent in 2009 but grow 1.9 percent in 2010.

The economic downturn is expected to ease in the second quarter of this year after sharp declines in the fourth quarter of last year and the first quarter of this year, the survey said. Growth is forecast to resume in the third quarter.

The May consensus forecast from the economists saw second-quarter GDP contracting at a 1.7 percent annual rate, 0.4 percentage point better than was forecast a month ago.

In April, the panelists forecast GDP would contract 2.6 percent in 2009 and grow 1.8 percent in 2010.

"The past month provided fresh evidence the decline in business activity is starting to moderate, buttressing consensus expectations that the economy will emerge from recession in the second half of this year," the newsletter said.

The economy is showing some signs of inching toward health.

The four-week average of new jobless claims, a better gauge of underlying labor trends because it irons out week-to-week volatility, have fallen for fourth straight weeks.

The Institute of Supply Management's index of activity in the manufacturing sector increased to a seven-month high in April while its index of activity in the service sector jumped to its highest level since October.

Nearly 80 percent of the panelists believe total housing starts are at or near a bottom and residential investment is likely to subtract considerably less if any from GDP in the second quarter and might conceivably begin to contribute slightly to growth by year's end, the survey showed.

The consensus forecast put inflation-adjusted GDP growth in the third quarter of 2009 at a 0.5 percent annual rate compared with a month-earlier forecast of a 0.4 percent rise. Growth in the fourth quarter is seen at 1.8 percent compared with a 1.6 percent rise forecast a month ago.

While economic growth is expected later in 2009, nearly 32 percent of the panelists expect the unemployment rate to peak in the first quarter of 2010. They forecast the jobless rate to peak at 10 percent, compared with their 9.8 percent forecast in the April survey.

The Labor Department put the unemployment rate at 8.9 percent in April, the highest since September 1983, from 8.5 percent.

The survey was conducted May 4-5.

(Reporting by Nancy Waitz; Editing by Neil Stempleman)

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