



Growing appetite to eat out indicative of improving economy

Final months of 2014 shaping up for fairly strong growth

By Jeffrey Bartash - Nov 16, 2014

WASHINGTON — What do people do when times are getting better and they aren't worried about losing their job? They go out to eat more.

Well, consumers must be feeling better. They boosted spending at bars and restaurants in October for the sixth straight month. Outlays on dining out have risen by an annualized 9% in that span, the fastest gain in three years.

The growing appetite of Americans to eat out is one of many signs pointing to another good stretch for the economy in the fourth quarter. Stocks have retraced all-time highs, companies are adding jobs at the fastest pace in more than a decade and plunging gasoline prices have fr

It's no wonder consumers are the most confident in seven years, as a survey on Friday showed.

A spate of mainly secondary economic reports this week is unlikely to diminish the good cheer as the holiday season fast approaches. The spine of the U.S. economy — goods-producing industries such as manufacturing — has posted strong growth since the spring. A pair of inflation reports are expected to show price pressures in retreat. And the housing market, while no standout, will probably continue to dig out of worst slump ever.

“The combination of positive factors should prove to be the shot in the arm that gets consumers into generous spending mood,” said **Bernard Baumohl, chief global economist at The Economic Outlook Group**. “If not, you really have to wonder what ever will.”

Shop till you drop back again?

Retailers are certainly preparing for perhaps the best holiday shopping season since the Great Recession ended in mid-2009. More stores than ever plan to offer “free” or speedy shipping options and retailers added a record number of temporary workers in October to get ready for the rush.

Phil Orlando, chief equity strategist at Federated Investors, says the strong increase in back-to-school shopping in September foreshadows an equally good holiday season — they tend to go hand in hand. He predicts holiday sales will climb 4% to 4.5%, compared to a smaller 3% gain in 2013.

Plunging gasoline prices are likely to act as an accelerant for holiday spending, freeing up \$50 a month or more for a typical family that owns two cars.

Economists calculate that each 1-cent drop in the cost of a gallon of gas puts \$1 billion into the pockets of consumers. Gasoline prices have tumbled to less than \$3 in many parts of the country from as high as \$3.70 as recently as June.

Although households could pocket some of the savings, most economists think the money will be spent. How come? The individual savings rate is already at a two-year high of 5.6%, giving consumers some extra cushion to shop.

“The significant decline in energy prices has created dry powder for an excellent Christmas,” Orlando said.

The big question, of course, is whether the good times last beyond the holidays. In mid to late 2011, for example, spending on food and drinks outside the home rose for a stretch at even fastest clip, only to eventually tail off.

The economy is clearly better off now, however, even if it hasn’t been fully restored to good health. The U.S. has added an average of 229,000 jobs a month in 2014, for example, and it’s churning out the most new positions since 1999. That’s pushed the unemployment rate down to a six-year low of 5.8%.

The influx of new jobs has kept consumer spending — the wellspring of U.S. economic growth — on a relatively even if subdued upward track. And rising employment is giving the economy a good springboard for 2015.

The one missing piece of the puzzle is sharply higher wages. Some companies do complain of a shortage of skilled workers and more employees are willing to quit for better jobs, a sign that wages could begin to rise faster as the pool of available labor shrinks.

Yet some 18.2 million Americans still can't find a good full-time job, including nearly 7 million resigned to part-time work. And the number of people who run out of unemployment benefits before they find a job remains abnormally high.

The Federal Reserve, in the minutes from its last meeting, is likely to stress the ongoing progress in the labor market but also take note again of the plight of the still-unemployed. The report will be issued on Wednesday.

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