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More U.S. Economists See Half-Full Glass

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Record exports and the smallest trade deficit in four years. Healthier consumer spending, including the strongest annual increase in automobile sales since 2007, spurred by a booming stock market and an improving housing sector. And a slow but steady pickup in job creation that has pushed unemployment to its lowest level since 2008.

The confluence of all these forces in recent weeks has prompted economists to sharply revise their expectations for growth in late 2013 and early 2014, and prompted hopes that a more sustained economic expansion has finally arrived.

Plenty of caution is in order. It is a refrain that has been heard several times since the end of the Great Recession, and frustrated job seekers and income-stretched workers have plenty of reasons to be dubious about the upbeat forecasts.

Still, a series of arrows from disparate parts of the economy in both the United States and elsewhere around the world are finally pointing in the right direction, experts and policy makers say.

“False dawns notwithstanding, it seems like a number of headwinds are fading,” said Michael Hanson, senior United States economist at Bank of America Merrill Lynch. “We’re growing more optimistic, and the risks are now more to the upside than the downside. It’s the first time in a long time that we could say that.

The newfound optimism will face its first test on Friday, when the Labor Department reports the latest data on unemployment and job creation in December. Joblessness sank to its lowest level in five years in November, and another month of strong gains would cement the view that the labor market is finally showing signs of life.

Economists estimate the economy created just under 200,000 jobs in December, in line with the pace earlier in the fall. That is an improvement from the summer of 2013, and the turnaround has already been strong enough to persuade Federal Reserve policy makers to slowly begin easing their economic stimulus efforts.

Estimates for the government's reading on job creation in December were lifted after Automatic Data Processing, a private payroll tracker, reported on Wednesday that private firms added 238,000 positions last month, well above the 200,000 level experts had anticipated.

And on Thursday, the government reported that initial unemployment claims last week fell to 330,000, a drop of 15,000 claims, which was a bit more than economists expected. The four-week moving average also declined, falling 9,750 from the previous four-week average of 358,750.

While the Fed's expectations for future growth have repeatedly proved too rosy in recent years, the incoming chairwoman of the central bank, Janet L. Yellen, suggested in an interview with Time magazine that she, along with many of her colleagues at the Fed, were more confident this time that the upturn was real. She suggested that real growth, adjusted for inflation, could reach 3 percent or more this year.

Just a few weeks ago, there were fears that 2013 would end on a sour note in terms of economic growth, weighed down by the government shutdown in October and the standoff over the debt ceiling in Washington, as well as the lingering effects of tax increases and cuts in federal spending earlier in the year. But better-than-expected trade data on Tuesday, as well as an increase in consumer activity in October and November, prompted many economists to revise their estimates of growth in the fourth quarter sharply higher this week.

Dean Maki, chief United States economist at Barclays, now says he believes the economy expanded at an annualized pace of 3 percent in October, November and December, double his previous estimate. In addition, he now estimates consumer spending increased at a 3.8 percent rate in the same period, the fastest in three years.

the gain in consumer spending to the surging stock market in 2013 and the steady recovery in real estate prices, the so-called wealth effect that has left shoppers feeling more confident. Wall Street turned in its best performance in 16 years in 2013; the Standard & Poor's 500-stock index gained 30 percent.

"The stock market is pushing spending up, and the fading tax increases are no longer pushing spending down," Mr. Maki said.

Rising domestic oil and gas production, he said, helped trim the need for imported energy supplies, contributing to a significantly smaller trade deficit in November, while the emergence of much of Europe from the grips of a deep recession has benefited exporters in the American manufacturing sector.

If Mr. Maki is right, and the American economy grew at a 3 percent rate in the fourth quarter, after the 4.1 percent gain in the third quarter, it would be the best back-to-back quarterly performance in two years. It would add up to a gain for the year of about 2.7 percent, the best since 2007. It could also signal the kind of sustained gains in 2014 that have proved so elusive since the end of the Great Recession in mid-2009, a period in which the occasionally robust quarter has been quickly followed by a near stall, providing few gains to most American workers or much relief to the long-term unemployed.

“Everything seems to be flashing green,” said **Bernard Baumohl, chief global economist at the Economic Outlook Group in Princeton, N.J.** “The dynamics have changed and we are going to break out of the pattern we’ve seen in the last couple of years.”

While agreeing that many of the headline numbers are headed in the right direction, Steve Blitz, chief economist at ITG Investment Research, pointed out that it would take more time for that improvement to translate into significantly lower unemployment or better wage gains for most workers. Employers still have the upper hand, with unemployment at 7 percent, so there is little pressure to increase wages or enrich benefits for workers relieved just to have a job.

“The dichotomy is that the data does look increasingly normal for the overall economy, but we’re still not back to where the trends were before the recession,” Mr. Blitz said. “We’ve got a long way to go.”

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