MarketWatch

# Dog-eared economy? Job surge puts that idea to rest

***Current expansion is third oldest, but still acts quite young***

By Jeffry Bartash - July 9, 2017

Most periods of good economic times rarely last more than half a decade, but the current U.S. expansion shows no sign of old age even as it enters its ninth year.

Now nine years may not sound like a lot compared to the typical human lifespan. But it's better to think of economic up-cycles in dog years: A mutt that's nine years old in human terms is really about 56 in dog years.

Yet even at such a ripe old "dog" age, the economy shows little sign of slowing down.

The U.S. added a robust 222,000 jobs in June, for instance, keeping the unemployment rate near a 16-year low. Auto and housing sales, if somewhat slower, are still quite healthy. And key industries such as home building, manufacturing and energy production are expanding at a steady clip.

The strong job numbers are all the more remarkable given we're now in the ninth year of this economic cycle," said **Bernard Baumohl, chief global economist at the Economic Outlook Group.** "Remember, the average length of a post-WW II recovery — that is from the moment an economy emerges from recession to the time it trips up and suffers another downturn — is less than five years."

One reason the economy seems so stable is that, like the tortoise in the famous fable, it's grown slow and steady. Other expansions that have experienced more hare-like growth have usually suffered bigger letdowns at an earlier stage.

The latest batch of updates on U.S. economy this week won't show anything different. Job openings have hovered near a record high for months, retail sales are rising gradually and consumers are feeling better than they have in years.

If there's any big surprise, it's low inflation. Even after such a prolonged period of stable if unspectacular growth, inflation is running below 2% a year.

Senior leaders at the Federal Reserve are convinced inflation will accelerate, settling around 2% or a bit higher over the next year. The point to the low jobless rate, now at 4.4%, and tight labor market as evidence that wage gains are likely to speed up. That's usually what happened in the past when unemployment was so low.

Fed Chairwoman Janet Yellen is expected to make that point again on Wednesday when she appears on Capitol Hill to brief Congress. She'll also get grilled about Fed plans to raise interest rates again and sell off a sliver of the bank's massive $4.5 trillion in bond holdings.

Only problem is, there's no sign wages are ready to explode. Hourly pay rose a mild 2.5% in the 12 months ended in June — slightly less compared to one year ago. Companies continue to find way to restrain labor costs.

Don't expect a pair of new reports on inflation at the wholesale and consumer levels to bolster the Fed argument, either. Both are likely to see only small increases in June, if even that.

The surge in inflation last year was largely triggered by higher oil prices, just like the slowdown this year is also linked to lower energy costs.

Absent rising wages, it's hard to fathom inflation rearing its ugly head.

“Without stronger wage growth to underpin it, it is unlikely we will see sustained acceleration in consumer price inflation anytime soon,” said Scott Anderson, chief economist at Bank of the West.

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