



# Is economy ready to rock? A bull's view

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Are improved retail sales in April an omen the U.S. economy is ready to rock? **Bernard Baumohl** seems to think so.

The chief economist of The Economic Outlook Group believes the U.S. “may be on the precipice of faster growth.” And consumers are the main reason, he wrote in an analysis Monday after the government reported that retail sales rose 0.1% in April. Wall Street had been expecting a sharp drop.

Mind you, **Baumohl** is no “sun-is-always-shining” economist. He only began to sound an optimistic note toward the end of 2012, and it’s just in the last few months that he’s turned into one of the most bullish economists in the U.S.

What’s behind his upbeat view? **Baumohl** argues that Americans are ready to “ramp up spending” because of falling gasoline costs, rising stock prices and home values, an improved labor market, and extended efforts by the Federal Reserve to boost growth.

Start with gasoline. The average nationwide cost of fuel sank again in April and fell to the lowest level for that particular month since

2010, **Baumohl** noted. The decline in April alone is worth \$13 billion in savings for consumers, he calculated.

Hiring in the U.S., meanwhile, snapped back in April after softening in March, while job openings have risen and layoffs continue to decline. While the labor market is not great, **Baumohl** said the steady increase in hiring and gradual improvement in wage growth is giving consumers more confidence.

So, too, is the rally in U.S. stocks and the recovery in the housing market that's lifting long-depressed home prices.

"History has shown that the two most important drivers of consumer spending are job security and changes in household wealth," **Baumohl** wrote. "Both are setting the stage for more consumption."

The unexpected increase in retail sales in April also appears to have caught businesses by surprise: retail inventories sank in March by the most in two years. Companies will have to increase production to replenish their stockpile of goods, he said.

Against that backdrop, **Baumohl** expects the Federal Reserve to maintain its massive bond-buying program to keep interest rates low.

"With consumer spending snapping back, business inventory investments expected to accelerate, and a Federal Reserve that will remain highly accommodative this year, the economy may be on the precipice of faster economic growth," he said.

Of course, the U.S. economy has arguably been on the precipice several times in the past few years, only to see growth stall. For now few economists are willing to go out on a limb as far as **Baumohl**.

- Jeffrey Bartash