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Better days here? Economic rebound gains strength

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WASHINGTON — Shoppers and businesses are feeling better about the recovery.

That was the encouraging message from a trio of economic reports Wednesday — and from Federal Reserve Chairman Ben Bernanke, who told lawmakers that the country's modest rebound is sustainable.

Retail spending rose sharply in March. Consumer inflation remained all but invisible. And businesses boosted their stockpiles in anticipation of higher shopper demand.

The improving economy also lifted first-quarter earnings at JPMorgan Chase & Co. That was the latest sign that the biggest banks are gradually putting the financial crisis behind them.

Bernanke spoke on the same day that the Fed reported the recovery is spreading to most parts of the country. Merchants are enjoying better sales and factories are boosting production, but companies are still wary of ramping up hiring, the Fed reported. But Bernanke also told Congress that the recovery is not strong enough to shrink the unemployment rate much.

Some economists were surprised by the retail sales gains, especially in light of the current 9.7 percent unemployment rate.

"Unemployment rates may be high, consumer confidence may be low and job and income gains may be minimal, but that doesn't seem to be stopping people from shopping," said Joel Naroff, chief economist at Naroff Economic Advisors.

Naroff and others question whether the spending gain can be sustained.

"We still fear it won't be," Paul Ashworth, a senior economist at Capital Economics, wrote in a research note. "High unemployment, weak income growth, low confidence, tight credit conditions and the need for debt (reduction) all point to restrained consumption growth over the next couple of years."