BUSINESS

Consumers primed to spend

Recovery to boost purchases of homes, cars

By Paul Davidson
USA Today

American consumers have denied themselves so much for so long — putting off buying homes, cars and other purchases — that their pent-up demand is poised to kick-start a sluggish economy.

Four years into the recovery, stronger job growth, some loosening in bank lending and more stable household finances are finally paving the way for many Americans to move into their own homes, fill them with furniture and trade in creaky 10-year-old cars.

Last week, a measure of consumer sentiment showed buying attitudes toward appliances and other durable goods at the highest level since mid-2007. And the government reported that April retail sales solidly beat estimates despite huge federal spending cuts — a development that UBS economist Maury Harris partly attributed to an unleashing of pent-up demand.

Harris estimates that over the next five years Americans' catch-up consumption will boost annual consumer spending growth by a percentage point and increase economic growth by half a point to more than 3 percent from about 2 percent.

"People have put things off," said IHS economist Chris Christopher. Now, he said, they're "feeling a little better."

After sharing a cramped one-bedroom Manhattan apartment the past five years, Justine and Matt Schwartz recently decided to move to a three-bedroom house in Greenwich, Conn. It will cost them hundreds of dollars a month in additional rent, as well as a new car lease and new furniture. Both Justine, a website editor, and Matt, a consultant, were promoted early this year.

After getting a raise, "I realized I don't have much to show" for it, said Justine Schwartz, 28. "We're feeling financially secure."

Housing starts are expected to rise from 780,000 to 990,000 this year and 1.2 million in 2014, Standard & Poor's predicts.

And vehicle sales should take off.

MARRIAGES, BIRTHS EXPECTED TO INCREASE

Other types of pent-up demand that should bust out:

» **Marriages.** From 2005 to 2011, the marriage rate fell from 7.7 to 6.7 per 1,000 Americans, according to the Census Bureau. The rate should rise as young people move out on their own, juicing household spending, UBS economist Maury Harris said.

» **Births.** Annual births fell by 7 percent to 4 million from 2007 to 2010. A family spends $226,920 on a child from birth through age 17, the Agriculture Department estimates.