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Economic indicators up more than expected

TALI ARBEL
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NEW YORK — A private research's group forecast of economic activity rose more than expected in April, the first gain in seven months and fresh evidence that the recession could end later this year.

The Conference Board said Thursday its index of leading economic indicators, designed to forecast economic activity in the next three to six months, rose 1 percent last month. Economists surveyed by Thomson Reuters expected a 0.8 percent increase.

Conference Board economist Ken Goldstein said that means declines in activity could switch to growth in the overall economy in the second half of the year. The recession began in December 2007.

In April, the index posted its biggest gain since November 2005, said Ian Shepherdson, chief U.S. economist at High Frequency Economics. It is now even with its level from last November.

The index is derived from 10 components including stock prices, the money supply, jobless claims and new orders by manufacturers.

The Conference Board said strengths among the components exceeded weaknesses for the first time in more than a year. "This is more broad-based. It's not just the stock market rally," Goldstein said.

Seven indicators rose, including stock prices, as the Dow Jones industrials are up by about a third since March. Consumer expectations, the average work week, manufacturers' new orders for consumer goods and deliveries by vendors grew, while initial jobless claims dropped, also a positive.

However, some analysts expressed reservations about the strength of the gain.

"How strong the upturn will be is still in doubt, and it is possible that the impro[illegible]nt in (consumer) sentiment seen the last couple months, which has lifted the index of leading indicators, could stall out," Deutsche Bank chief U.S. economist Joseph LaVorgna wrote in a research note. He doesn't expect the economy to grow until early 2010.

Weekly claims for jobless aid had been dragging the index down. The U.S. unemployment rate stands at 8.9 percent and is expected to hit double digits later this year or in 2010.

The Labor Department on Thursday said new requests for jobless benefits fell to a seasonally adjusted 631,000, down from a revised figure of 643,000. Claims had reached a 14-week low of 605,000 earlier this month, which many economists thought heralded an easing in the wave of layoffs.

Meanwhile, the Conference Board said building permits, manufacturers' orders for capital goods and the real money supply weighed down the index last month.

The recession was precipitated by a crisis in housing, and while homebuilders' confidence has ticked higher, both building permits and housing construction fell to record low annual rates in April, the government said earlier this week.