Economists More Optimistic, Keep Growth Forecasts

by THE ASSOCIATED PRESS



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Economists predict builders will break ground on 700,000 homes this year, up 15 percent from 2011, the National Association for Business Economics said

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Economists are increasingly confident that some pillars of the U.S. economy will improve this year, but they still remain cautious in their expectations on the overall pace of economic growth.

The National Association for Business Economics said Monday that forecasters have raised their expectations for employment, new home construction and business spending this year. But they held on to their average prediction that America's gross domestic product, or GDP, will grow at a rate of 2.4 percent. That's a slight improvement from 2011, when economists believe the economy grew 1.6 percent. Final economic growth numbers for 2011 are due out Wednesday.

GDP reflects the economy's total output of goods and services. The latest forecast is in line with one issued by the group in November that called for the economy to grow 2.4 percent this year. Forecasters predict growth will be stronger in the second half of 2012 than it will be through June.

NABE economists see the unemployment rate sticking at 8.3 percent this year, matching January figures. That's improved from their November forecast of 8.9 percent. Unemployment peaked at 10 percent in October of 2009. The economists expect job growth to accelerate next year, and forecast the unemployment rate will fall to 7.8 percent. GDP growth needs to be above 3 percent to significantly lower unemployment.

More Home Construction Expected

The economists predict builders will break ground on 700,000 homes this year, up 15 percent compared with 2011. In November, they expected new home construction of about 660,000. They predict 850,000 will be built in 2013.

Panelists are also still forecasting strong business spending growth this year. They've slightly raised their forecast to 8.1 percent growth this year. For 2013, spending should slow slightly, but still remain strong at 7.3 percent, the forecast said. Industrial production is expected to increase moderately at 3.5 percent this year and 3.3 percent in 2013.

Despite a brightening forecast for employment, housing and business spending, the NABE Outlook Panel of 45 economists expects consumers to continue to penny-pinch this year. They still predict spending will increase just 2.1 percent this year and 2.3 percent next year. The rate is below historical average of 2.8 percent, highlighting an economy that's heading in the right direction, but still slow-going.

Economists have lowered their expectations for exports this year as well. They now expect 4.6 percent growth in 2012, compared to their November prediction of 6.1 percent. Their projection for import growth in 2012 was also lowered from 4.3 percent to 3.5 percent. They expect both rates to improve in 2013.

Overall, economists say they are more confident in their predictions than just a few months ago. Less than half of economists surveyed by the NABE this month call their forecasts "somewhat uncertain" or "much more uncertain than usual." In November, more than two-thirds of respondents characterized their predictions as uncertain.

The survey was conducted Jan. 26 to Feb. 8.