

A strengthened job market is a good sign for economic growth. AP

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Economists hope new year brings big boost

Some signs point to growth, and some don't

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The economy abounds with hopeful signs as the new year arrives, enough that the Federal Reserve will begin to put its easy-money punch bowl on a higher shelf by trimming its bond purchases this month.

But after five years of crisis, recession and an aren't-we-there-yet recovery, we don't fully trust the signs.

Here are two reasons to expect growth to pick up.

1. The housing recovery seems real this time.

Forecasts for housing starts in 2014 run from just under 1 million to as high as 1.35 million, up from about 950,000 in 2013. Moody's Analytics estimates each extra start is worth about 4.5 jobs, though rival consulting firm IHS says it's closer to three. A housing market near the high end of forecasts could generate a million new jobs.

2. State and local governments have healed.

One of the biggest changes in 2013 was that state and local governments went from firing people to hiring again, adding 127,000 workers through November on a base of about 19 million. That's because their spending turned slightly higher in the second and third quarter, the first two-quarter gain since the recession.

Here are two reasons why the economy won't break out:

1. Washington is not that good — and we still have the debt ceiling.

Federal spending cuts will still shave a few tenths of a point off GDP growth this year — reducing the growth rate about 0.3 percentage points, Naroff said.

2. Capital investment is low.

Growth in spending on business equipment plunged to near zero by the third quarter from a double-digit pace in 2010 and 2011, helping to fuel a $2.2 trillion "investment gap," of money not spent since 2007, according to the Progressive Policy Institute.