Economy's looking up for the present



DAVID GOLDMAN/ The Associated Press

Dabura Karriem, 60, of Bloomfield, N.J., reacts upon hearing there is a job available for exactly what she's looking for while attending a career fair in Newark, N.J.

Reports take pressure off Federal Reserve

By David J. Lynch
USA TODAY

Never has mediocre looked so good.

A steady flow of not-entirely-terrible economic news has eased worries of renewed recession and shifted the political spotlight from the Federal Reserve to the White House.

"The August data we've been getting has been encouraging. ... It's very likely that the economy continues to move forward in the coming months," said economist Bruce Kasman of J.P. Morgan.

The economic news increasingly has a bipolar cast to it. One day, a downward revision to the second-quarter growth rate makes a double-dip recession look like a real threat. The next, a drop in first-time jobless claims suggests that the wounded U.S. economy may muddle through after all.

"The economy is having a slow and halting recovery, because that's the nature of recessions triggered by financial crises," says Rob Shapiro, chairman of consulting firm Sonecon in Washington, D.C.

Last week saw satisfactory results on private-sector payrolls, manufacturing and even the beleaguered housing sector.

Market fears haven't completely dissipated. Noted bear David Rosenberg, chief economist of Gluskin Sheff, acknowledged that the latest payroll figures don't support his argument that the economy is contracting. But weakness in the fine print — including a drop in manufacturing jobs — does.

Nouriel Roubini, among the first to spot the impending credit bubble collapse, said on his Twitter feed the risk of a double dip is rising.

The brightening economic picture lifts pressure on Federal Reserve Chairman Ben Bernanke to take further extraordinary measures to expand credit. In an Aug. 27 speech, Bernanke said the Fed could step up the fight if the economy got worse.

The next test for the economy comes Thursday with the release of July trade figures. IHS Global Insight forecasts a narrowing of the monthly trade deficit to $47 billion.