Fed: Year ended upbeat

Consumer buying among strengths

By Martin Crutsinger
The Associated Press

WASHINGTON — The final weeks of 2011 were the economy's strongest since it appeared to be slipping toward recession in late spring.

Consumers spent more freely, factories made more goods, Americans stepped up travel and the auto industry enjoyed its best stretch of the year.

That's the bright picture the Federal Reserve sketched in a survey released Wednesday. It said all but one of its 12 banking districts experienced some growth from late November through the end of the year.

The Fed noted that some sectors of the economy, notably housing, remain weak.

But overall, the message was encouraging. It comes just six months after the economy nearly stalled under the weight of high food and gas prices and supply disruptions out of Japan that slowed U.S. manufacturing.

The economy and the job market have both picked up since then. And December may end up being the strongest month last year, an optimistic sign for the economy in 2012.

Employers added 200,000 net jobs last month, and the unemployment rate fell to 8.5 percent — the lowest rate in nearly three years.

Consumer confidence rose. U.S. automakers reported having their two best months of sales for 2011 in November and December. And U.S. factories ended the year with their strongest month of growth since late spring, according to a closely watched gauge of the industry.

Most economists are predicting that the economy grew at an annual rate of 3 percent in the final three months of last year. That would be an improvement from the summer, when the economy expanded just 1.8 percent, and much better than the 0.9 percent growth in the first half of the year.

Still, the modest recovery is vulnerable to setbacks. Europe's debt crisis could lower demand for U.S. exports. Consumers could pull back on spending, especially if they continue to see little growth in wages.

And Congress could decide not to extend the Social Security tax cut or long-term unemployment benefits, both of which expire at the end of February. That would leave many households with less income, which would slow spending.

Consumer spending is important because it drives 70 percent of economic activity.

The Fed announced no new actions after its Dec. 13 meeting.

The Fed's next meeting is on Jan. 24 and 25.

Sales of cars like this Ford Focus being built in Wayne, Mich., were among the strong elements of the U.S. economy at the end of 2011, according to a Federal Reserve survey. PAUL SANCYA/AP

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