BUSINESS

Leading indicators jump 1.1%

Gauge suggests economy will strengthen early next year

STAFF, WIRE REPORTS

A gauge of future economic activity rose in November, at the fastest pace since March, suggesting the economy will strengthen early next year.

The Conference Board said its index of leading economic indicators rose 1.1 percent last month — the biggest increase since March, when the index jumped 1.4 percent.

The leading indicators rose 0.4 percent in October and 0.6 percent in November. The index has risen for five straight months.

Deutsche Bank economist Joseph LaVorgna said the index's recent leap suggested that economic growth picked up significantly, to above 3 percent, in the October-December quarter and would continue to accelerate in the first three months of next year. Faster economic growth would help lower the 9.8 percent unemployment rate.

The economy grew at a 2.5 percent pace from July through September.

The leading indicators had stalled this summer as U.S. economic growth slowed. A revival in the stock market helped the index accelerate this fall. Plans by the Federal Reserve and U.S. government to try to jump-start the economy have buoyed shares — the Dow Jones industrial average closed at its highest point since September 2008 on Thursday.

Economists with Wells Fargo Securities said Friday, in their weekly economic and financial commentary, "in what was a very busy week for economic indicators, the theme was generally better-than-expected readings on the economy, which is consistent with our outlook for steadily improving growth in the next couple of years."

Retail sales pointed to "better consumer spending numbers," the economists said. "Another dip in jobless claims suggests improvement in the job market might not be far away. Industrial production gains and improving business survey data tell us the manufacturing recovery has legs."

They said consumer prices "remain in check," but producer prices told another story.

The economists said the producer price index jumped 0.8 percent in November. Prices further back in the pipeline also increased with intermediate goods up 1.1 percent and crude goods up 0.6 percent, they said.

"However at this stage in the economic cycle, the increases in wholesale prices have yet to show up in consumer prices," the economists said.

Economists have said that the $858 billion tax deal that President Barack Obama signed will help the economy grow faster in 2011. Mark Zandi, a prominent economic forecaster with Moody's Analytics, expects a 3.9 percent pace of growth.