Report holds hint of healthier economy

Private-sector index suggests some improvement in 3-6 months

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NEW YORK — A private-sector measure of economic activity jumped unexpectedly in January for a second straight monthly increase, due mainly to federal efforts to expand the money supply.

The New York-based Conference Board said Thursday that its January index of leading economic indicators rose 0.4 percent. Economists surveyed by Thomson Reuters expected no change in the index, which forecasts economic activity for the next three to six months based on 10 economic components, including stock prices, building permits and initial claims for unemployment benefits.

The Conference Board said the single biggest boost to the index was the real money supply. The government's effort to address the credit crisis has put more money in circulation.

Five of the 10 factors that make up the index increased in January, including the interest rate spread, an index of consumer expectations, and manufacturing orders for non-defense and consumer goods.

Last month's gain compared with a 0.2 percent increase in December and a drop of 0.7 percent in November. Those measures were revised down from prior estimates.

Conference Board economist Ken Goldstein says the "intensity" of the recession could begin to ease in the next few months.

"The second half of 2009 may see a period of anemic growth," Goldstein said in a statement, but "robust" growth would not return until well into 2010.

Unemployment claims and building permits were among the biggest drags on last month's index.

Tens of thousands more jobs cuts were announced earlier this week. General Motors Corp. said Tuesday it would cut 47,000 jobs, or 19 percent of its work force, by the end of the year. Goodyear Tire & Rubber Co. said Wednesday it will cut nearly 5,000 jobs, or about 7 percent of its work force. And Chrysler said it will cut 3,000 more jobs.

An improvement in the unemployment figures would be a more reliable sign of improvement, said Joel Naroff, president and chief economist at Naroff Economic Advisors Inc.

"Just having more money does not mean the economy is going to expand," Naroff said. "Probably the most important issue that I want to see is some healing in the confidence numbers. If we can turn the psychology around, we can start to spend on the household side and slow the employment numbers on the business side."

The Commerce Department reported Wednesday that construction of new homes and apartments dropped 16.8 percent last month to a seasonally adjusted annual rate of 466,000 units. That was well below the 530,000 units economists expected, and the slowest pace on records dating back a half-century.

Applications for building permits, considered a good barometer of future activity, also dropped to a record low.