US economy gets lift from consumers, businesses

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WASHINGTON — American consumers are growing more confident about the job market, companies are ordering more equipment and home prices are rising in most major cities.

The latest batch of government data suggests that the economy is improving just as the holiday shopping season begins. The only threat is a package of huge spending cuts and tax increases, known as the "fiscal cliff," that will kick in unless Congress strikes a budget deal by year's end.

Rising home values, more hiring and lower gas prices pushed consumer confidence in November to the highest level in nearly five years. And steady consumer spending appears to have encouraged businesses to invest more in October after pulling back over the summer.

Those trends could boost economic growth slightly in the final three months of the year. But the real payoff could come early next year, if the fiscal cliff is avoided. Businesses that have postponed expansion plans could move forward with projects. That could lead to more hiring.

"Right now, households don't seem to be letting the fiscal threat control their urge to spend," said Joel Naroff, president of Naroff Economic Advisors. "The first weekend of holiday sales was great, vehicle sales are holding up and housing is strong."

Reports Tuesday showed:

• The Conference Board's consumer confidence index rose to 73.7 in November from 73.1 in October. Both are the best readings since February 2008. The index is still below 90, the level that is consistent with a healthy economy. It last reached that point in December 2007, the first month of the Great Recession. But the index has increased from the all-time low of 25.3 touched in February 2009.

• The Standard & Poor's/Case-Shiller 20-city index of home prices rose 3 percent in September compared with the same month last year. Prices also gained 3.6 percent in the July-September quarter compared with the same quarter in 2011. Prices increased in 18 of 20 cities over the 12-month period.

• A third report showed that companies ordered more industrial machinery and other large equipment in October. Orders for core capital goods, considered a proxy for business investment, rose 1.7 percent in October, the Commerce Department said. That's the largest increase since May and it follows sharp declines over the summer.

One reason Americans are more optimistic is because they see the job market improving, the Conference Board survey showed. Employers added 171,000 jobs in October and more jobs were created in August and September than first thought.