

US economy shows signs of life ^{3/4/12}

But it still hasn't begun accelerating yet

By Paul Wiseman
The Associated Press

WASHINGTON — The U.S. economy's recovery looks enduring. It's just not very strong. Hiring, housing, consumer spending and manufacturing all appear to be improving, yet remain less than healthy. Economists surveyed by The Associated Press expect growth to pick up this year, though not enough to lower unemployment much.

A clearer picture of U.S. economic health will emerge today, when the government reveals how many jobs employers added in April.

"The outlook is for continued moderate growth," John Williams, president of the Federal Reserve Bank of San Francisco, said in a speech Thursday. "Nonetheless, we have nearly 4½ million fewer jobs today than five years ago ... unemployment ... remains very high at 8.2 percent."

The 32 economists polled by the AP last month are confident the economy has entered a "virtuous cycle" in which more hiring boosts consumer spending, which spurs further hiring and spending.

They expect unemployment to fall from 8.2 percent in March to below 8 percent by Election Day. But they still think the rate won't reach a historically normal level below 6 percent until 2015 or later.

And they predict hiring will slow the rest of 2012 from a relatively brisk December-February pace.

The government's economic data have been sending mixed signals about the health of the recovery from the Great Recession. Here's a look at the economy's vital signs:

JOB

The job market is gradually improving, though not as fast as it had been. From December through February, employers added a strong 246,000 jobs a month. That figure sank to a weak 120,000 in March. The April jobs report may clarify

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whether **March** was a one-month dud — or evidence of a more lasting **slow-down** in job creation like the one that occurred in mid-2011. The economists in the AP survey foresee average job growth of 177,000 a month from April through June and 189,000 for the next six months. The economy must create 125,000 jobs a month just to keep up with population growth.

On Thursday, the government said the number of people who applied for unemployment benefits last week fell by a sharper-than-expected 27,000 to a seasonally adjusted 365,000. That pointed to fewer layoffs and a brighter hiring outlook.

Further cause for hope came in a government report Thursday on worker productivity: It fell from January through March by the most in a year. Declining productivity could be a positive sign for job-seekers. It may signal that firms are struggling to squeeze more from workforces and must hire to keep up with orders.

HOUSING

The housing market has been a dead weight on the economy. The single-family home market, especially, still struggles. House prices fell for six straight months through February, according to the Standard & Poor's/Case-Shiller home-price index. And Americans bought fewer previously owned homes in March.

The economists polled by the AP worry that the lingering effects of the housing bust are slowing the economy's expansion. They say growth can't accelerate until national home prices finally hit bottom.

Still, spending on home construction and renovations rose from January through March by the most in nearly two years.

CONSUMERS

Americans have proven surprisingly willing to spend in the face of a wobbly economy. In the first three months of the year, consumer spending grew at an annual pace of 2.9 percent, the fastest in more than a year.

Some economists doubt consumers can keep it up. They probably can't afford to. Americans' after-tax income in the first three months rose just 0.6 percent from a year earlier. That was the skimpiest pay increase in two years. People spent more, in part, because they saved less.

CORPORATE PROFITS

U.S. firms earned more money than analysts expected from January through March. They're beating Wall Street estimates at the best rate in more than a decade. Improved earnings have propelled the Dow Jones industrial average up nearly 4 percent since April 10.

U.S. corporations excluding banks and other financial firms are sitting on more than \$2.2 trillion in cash, up from \$1.7 trillion in 2009. That surplus means they can afford to expand and hire when they're confident enough.

MANUFACTURING

Manufacturing has provided much of the fuel for the U.S. recovery since the recession ended roughly three years ago. U.S. manufacturing grew last month at the fastest pace in 10 months. New orders rose to the highest level in a year, a signal of more production in coming months. Export orders also rose, despite worries that weaker economies in Europe and China could hold back U.S. exports.

And busier factories are hiring. Manufacturers added 120,000 jobs a month through March this year, their fastest three-month pace since 1997. But the surveyed economists think manufacturers will fill jobs more slowly the rest of 2012. If so, that may weaken overall job growth.



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