

# Experts see positive signs for economic

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The U.S. economy in 2018 may finally unload some of the baggage that has slowed it down since the Great Recession ended in 2009.

Already, economists say, the recovery is beginning to expand to more industries and sweep up more of the Americans left on the sidelines over the past 8½ years. Those trends will likely gather force this year, analysts say, while tepid wage gains accelerate.

The Republican tax cut plan, recently signed into law by President Donald Trump, could provide a further modest boost, economists say.

"I think growth is shifting into a higher gear," said Mark Vitner, senior economist at Wells Fargo. "It looks like we're finally putting the financial crisis behind us."

The economy isn't expected to register the breakout 3 percent growth Trump has promised, at least in the near term. But it is forecast to grow 2.6 percent in 2018 as consumer spending keeps chugging and business investment ratchets higher, according to the average estimate of 52 economists surveyed by Wolters Kluwer Blue Chip Economic Indicators in early December. That would soundly beat 2017's projected 2.3 percent pace

and the modest 2.1 percent average during the recovery to notch the second-best annual showing in that period behind 2015's 2.9 percent gain.

What's more, the headline growth figure doesn't tell the whole story. The nation's manufacturing recovery largely has been driven by the oil production rebound, technology advances and pent-up consumer demand for vehicles, Vitner said.

Recently, he said, the pickup began spreading to other sectors as both the U.S. and global economies gained strength, including construction equipment, factory machinery and agricultural accessories.

That, Vitner said, will help provide jobs or more hours to underemployed factory workers in the Midwest and Deep South.

"My general sense is we're going to see economic growth broadening," he said.

Industrial production is expected to increase 2.5 percent in 2018, up from a 1.8 percent rise in 2017, according to the Wolters Kluwer survey. A bump in housing starts and sales will add still more kindling to the mix, Vitner said.

And a 4.1 percent unemployment rate that's projected to edge down further will make it even tougher for employers to find workers, forcing them to more seri-

ously consider Americans marginalized by a lack of skills or opioid addiction, said Diane Swonk, head of DS Economics. That group includes prime-age men hit hard when manufacturing and construction each lost about 2 million jobs in the recession.

Swonk said some companies are waiving drug tests for job applicants and providing treatment programs to addicted workers to reduce employee turnover. Others are bringing on workers who lack all the skills they're seeking and training them to fill in the gaps.

Overall, employers' struggles to find workers will continue to crimp hiring, experts say. Both Vitner and Swonk expect average monthly job growth to fall to about 160,000 in 2018 from 174,000 in 2017 and 187,000 in 2016. Yet that's well more than the 100,000 or so needed to continue lowering the unemployment rate.

And the tightening labor market will likely force businesses to increase pay more substantially to attract and keep workers.

Average annual wage growth of about 2.5 percent should climb past 3 percent by the end of the year, the two economists say.

Fatter paychecks will be needed to underpin continued advances in consumer spending. In 2017, workers coping with

## growth ahead

modest raises dipped into their savings to fuel their purchases, but Vitner said that lasts for only so long. He expects the tax cuts to spark more purchases, offsetting a pullback in auto buying. And Swonk said the record-high stock market should continue to make Americans feel wealthier and spend more.

All told, the 52 economists surveyed by Wolters Kluwer expect consumer spending to increase 2.5 percent in 2018, roughly in line with last year, amid healthy job and income growth. Consumer spending makes up about 70 percent of the economy.

The economists predict business investment will grow 4.7 percent, a touch higher than 2017, though Vitner and Swonk say it easily could top 6 percent. Capital spending began to rev up in 2017 as companies frustrated by the dearth of qualified job applicants bought more labor-saving equipment. Such purchases could bolster sluggish increases in productivity, or worker output, allowing the economy to grow even faster.

A further jolt to business investment could come from the newly passed corporate tax cut, Vitner said. He expects the legislation to increase economic growth by three-tenths of a percentage point in 2018. Swonk, however, predicts a slight lift of just a tenth of a percentage point.