

Survey: More Optimism About U.S. Jobs, Economy

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WASHINGTON (AP) — The U.S. economy is improving faster than economists had expected. They now foresee slightly stronger growth and hiring than they did two months earlier — trends that would help President Barack Obama's re-election hopes.

Those are among the findings of an Associated Press survey late last month of leading economists. The economists think the unemployment rate will fall from its current 8.3 percent to 8 percent by Election Day. That's better than their 8.4 percent estimate when surveyed in late December.

By the end of 2013, they predict unemployment will drop to 7.4 percent, down from their earlier estimate of 7.8 percent, according to the AP Economy Survey.

The U.S. economy has been improving steadily for months. Industrial output jumped in January after surging in December by the most in five years. Auto sales are booming. Consumer confidence has reached its highest point in a year. Even the housing market is showing signs of turning around.

"The economy is finally starting to gain some steam, with consumers and businesses more optimistic about prospects in 2012," said Chad Moutray, chief economist at the National Association of Manufacturers.

On Friday, the government will issue the jobs report for February. Economists expect it to show that employers added a net 210,000 jobs and that the unemployment rate remained 8.3 percent.

The AP survey collected the views of two dozen private, corporate and academic economists on a range of indicators. Among their forecasts:

— Americans will save gradually less and borrow more, reversing a shift toward frugality that followed the financial crisis and the start of the Great Recession.

— Obama deserves little or no credit for declining unemployment. Only one of the 19 economists who answered the question said Obama should get "a lot" of credit. They give most of the credit to U.S. consumers, who account for about 70 percent of economic growth, and businesses.

— The economy has begun a self-sustaining period in which job growth is fueling more consumer spending, which should lead to further hiring.

— European leaders will manage to defuse their continent's debt crisis and prevent

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

a global recession. But the economists think Europe's economy will shrink for all of 2012.

— The economy will grow 2.5 percent this year, up from the economists' earlier forecast of 2.4 percent. In 2011, the economy grew 1.7 percent.

The brighter outlook for jobs follows five straight months of declining unemployment. Employers added more than 200,000 net jobs in both December and January. The unemployment rate is at its lowest level in nearly three years.

One reason the rate has fallen so fast is that fewer out-of-work Americans have started looking for jobs. People out of work aren't counted by the Labor Department as unemployed unless they're actively seeking jobs.

Many economists have been surprised that the stronger economy hasn't led more people without jobs to start looking for work. If many more were looking, the unemployment rate would likely be higher.

Manufacturers have been hiring more consistently than other employers. Moutray expects factory output to rise 4 percent this year, better than in 2011. Manufacturers will have to continue hiring to keep up with demand, he said. That will help lower the unemployment rate to 8 percent by Election Day, he predicts.

"Manufacturers are relatively upbeat about production this year," Moutray said. That will require expanding factories and buying more machinery.

"All that plays into a better year than some people might have been expecting," he added.

The economists forecast that employers will add nearly 1.9 million jobs by Election Day, up from their December projection of nearly 1.8 million.

But Mike Englund of Action Economics is among those who noted that the declining unemployment is due, in part, to fewer people seeking work. Millions of those out of work remain too discouraged to start looking again, or, in the case of many young adults, haven't begun to do so.

"Most of this recent drop in the unemployment rate is due to a mass exodus" from the work force, Englund said.

The economy still has about 5.5 million fewer jobs than it did before the recession began in December 2007.

Still, the falling unemployment rate appears to be raising the public's view of Obama's economic stewardship. In an Associated Press-GfK poll last month, 48 percent said they approved of how Obama was handling the economy, up 9 points from December. And 30 percent of Americans described the economy as "good" — a 15-point jump from December and the highest level since the AP-GfK poll first asked the question in 2009.

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The U.S. economy remains under threat from Europe's debt crisis. But those concerns have eased, the AP survey showed.

Several economists credited the European Central Bank's move to provide unlimited low-interest loans to banks with helping prevent an international crisis

"Time fixes all wounds," said Marty Regalia, chief economist at the U.S Chamber of Commerce. "Europe didn't come apart at the seams, and we haven't fallen into the abyss. Every day ... it becomes a little less likely that it will happen."

Source URL (retrieved on 11/24/2014 - 9:10am):

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