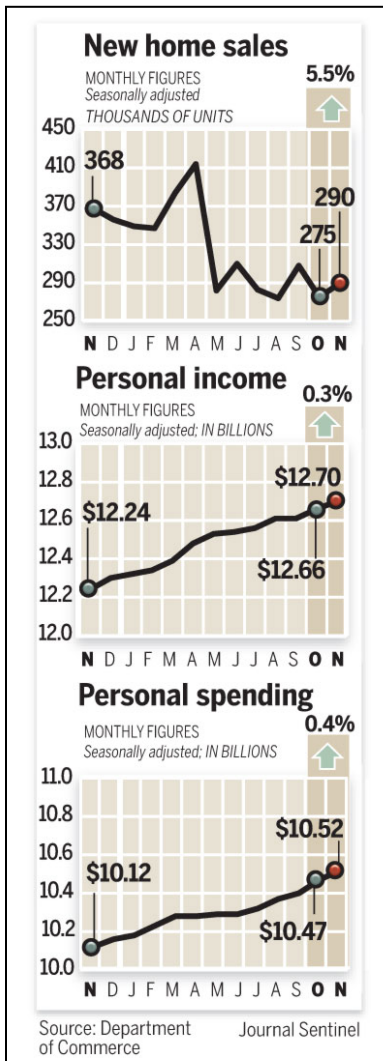


Experts not quite sold on economy

Despite positive reports, some remain cautious

By Joe Taschler of the Journal Sentinel

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The stock market is up. Weekly jobless claims are down. The housing market looks as if it is nearing a bottom. Manufacturing is showing signs of strength.

Yet even as another handful of reports Thursday suggested that the U.S. economy is leaning in the right direction, no one was willing to say it has broken free of the restraints that have held it back for months - namely, unemployment and the battered housing market.

"We're not declaring victory at this point," said Jeff Nelson, director of research at Cleary Gull, a Milwaukee investment firm. "There's still some artificial stimulus helping this along. We still have to see if the economy can gain some momentum on its own, without outside prodding."

It's a stale refrain, but until those two crucial factors - employment and housing - show signs of a sustained recovery, experts expect the U.S. economy will drift somewhere between a standstill and a crawl.

"If those began to turn - and not just one month, (but) two or three months in a row - I think that would be significant," said Bruce Bittles, chief investment strategist at Robert W. Baird & Co.

Until then, this recovery will continue taking its time.

"The word that I would use right now is anemic," said Joseph Daniels, economics professor and director of the Center for Global and Economic Studies at Marquette University. "We need more robust job creation in the private sector. We need to see the housing market stabilize."

Figures released Thursday bolster the theory that the recovery is continuing, with some qualifications:

- More people bought new homes in November, though far too few to signal better times are ahead for the industry. Sales rose 5.5% to a seasonally adjusted annual rate of 290,000 units, the government said. That's less than half the rate that economists consider healthy. And the increase follows a dismal October pace that nearly matched the lowest level in 47 years.

"Housing is still a headwind for the economy," Daniels said. "I would say that's kind of our wild card right now."

- The number of people applying for unemployment benefits edged down by 3,000 to a seasonally adjusted 420,000, the Labor Department said. The figure now has been below 425,000 in four of the past five weeks; weekly unemployment applications at around 425,000 signal modest job growth.

Economists, though, say the number would need to dip consistently to 375,000 or below to indicate a significant decline in unemployment. Weekly applications peaked during the recession at 651,000 in March 2009. The four-week average, a less volatile gauge, rose slightly to 426,000. The average had fallen for six straight weeks to the lowest point in more than two years. "The jobless claims number that came out this morning continues to show a trend that is improving," Bittles said. "In other words, the job market is slowly - slowly - improving."

- Consumers' incomes grew 0.3% last month, lifted by gains in stock portfolios. Again though, there's an asterisk: Wages and salaries barely budged last month.

- Companies increased their orders for long-lasting manufactured products, excluding volatile transportation goods, by the sharpest amount in eight months, the Commerce Department said. Demand rose for computers, appliances and heavy machinery. But total orders for durable goods dropped 1.3%. That decline reflected sagging demand for aircraft and autos. Excluding transportation, orders surged 2.4%, the best showing since last March.

- Personal spending rose modestly last month, giving the economy a lift before the holidays. Spending increased 0.4%, the fifth straight monthly increase.

Consumers and businesses are likely to spend more in the new year now that a broad package of tax cuts has been approved: Consumers can bank on a 2% cut in payroll taxes. That's another \$2,000 a year to a person earning \$100,000 a year.

The tax package also gives companies a break if they buy big machinery and other capital goods next year. That will likely spur more business investment, and could lead to more jobs, economists say.

But there's also plenty that could derail the recovery.

Meager home sales, along with millions of foreclosures, could dampen home prices further. That would make consumers feel poorer and possibly spend less, restraining economic growth.

Rising oil prices might also hurt the economy. On Thursday, prices rose above \$91 a barrel - the highest point in two years. Gas prices have also jumped. That takes money from consumers that they would otherwise use to buy other goods.

Meanwhile, businesses such as **Kreilkamp Trucking** in Allenton are watching and adjusting to what clearly is a pickup in business.

"Freight has picked up. We don't have any trucks sitting around looking for work," said Amanda Kreilkamp-Kirk, vice president of driver services.

So do the gains have staying power?

"That's a good question," she said. "We can speculate all we want, but at the end of the day it is what it is. I mean, we've been fooled before, right?"

The Associated Press contributed to this report.