



Written by [Bob Adelman](#) on December 19, 2011

Is the Economy Slowly Gaining Momentum?

Zachary Karabell, writing at The Daily Beast on Thursday, claimed that the latest numbers on the US's economy were showing some modest improvement. After reviewing comments from the Federal Reserve in their final statement of the year (the economy is "expanding moderately"), the Institute for Supply Management (index above 50 for several months, indicating growth), the Gross Domestic Product numbers (growing at about 2 percent on an annual basis), unemployment (dropping slightly), and consumer sentiment (up a little), Karabell concluded "The real dirty little secret of the American economy is that we are doing OK."



Some other numbers that came in after his article was published seemed to confirm that the economy is showing a faint blush of rose. The National Retail Federation [said](#) it expects Christmas holiday sales to rise to \$469 billion this year, up about 4 percent from their October forecast, but still down from the 5.2 percent gain a year ago. The [latest](#) from the Association of American Railroads shows weekly traffic gains of nearly 4 percent year over year. The [Business Outlook Survey](#) from the Philadelphia Federal Reserve Bank showed that "all the broad indicators remained positive and suggest a modest expansion of activity...[and] the broadest indicator of future activity reflected a trend of increased optimism about growth over the next six months." That report noted further that hiring expectations in that region are beginning to improve as well, along with indicators for growth in "general activity, new orders [and] shipments..."

The New York Fed's [Empire State Manufacturing Survey](#) showed its general business conditions index rising to its highest level since May, while future general business conditions also are "suggesting a return to the high levels of optimism seen early in 2011."

In addition, mortgage interest rates continue to drop to [record lows](#) while [shipments from the Los Angeles Port](#) just touched an all-time high in November, running 15 percent ahead of last year. Along with that the Labor Department's report on the Consumer Price Index in November was benign, showing no change from October, and year-to-date inflation of 3.4 percent declining from a 3.9 percent rate in September.

To top it off, consumer sentiment, [according to Rasmussen Reports](#) improved 3 points from last month, although still down from the high for the year reached last May.

Headwinds facing the economy, however, remain daunting. Even though jobless claims [declined last week](#) to 366,000, less than a third of the nearly 9 million jobs lost in the recession have been added back. And uncertainty about the continuation of those benefits remains for the approximately 5 million people currently receiving them. On Wednesday next week, the National Association of Realtors (NAR) will be reporting downward revisions of [actual home sales](#) over the last five years due to some double-counting of home sales, and counting contracts to buy as sales rather than counting them after the



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closings. John Crudele said that the NAR called it a “statistical glitch,” while he called it a deliberate attempt to make bad numbers look better.

Comments from economist Nouriel Roubini on Thursday [aren’t helping either](#): “There are extensive downside risks to our baseline of 1.4-1.5 percent growth in 2012-13; we still see a 50 percent chance of an outright recession in the next year.”

When Lakshman Achuthan of the Economic Cycle Research Institute (ECRI) [declared](#) that the economy was going into another recession in September he minced no words:

Early last week [September 21st] ECRI notified clients that the U.S. economy is indeed tipping into a recession...and there’s nothing that policy makers can do to head it off.

On Friday, Achuthan [was challenged](#) by Tom Keene on Bloomberg Television’s Surveillance Midday about his prediction and he remained adamant in his assertion despite evidence that the economy is seeming to gain a little momentum.

Putting it all together, then, the first quarter of 2012 will tell a lot about the direction of the economy, especially in light of credit card bills coming due in January and the inevitable layoffs of temporary and part-time workers following the holidays. Uncertainty in Washington over spending and in the Eurozone added to the Federal Reserve’s increased likelihood of increasing the money supply putting further upward pressure on prices, and the outlook for the economy remains daunting.



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