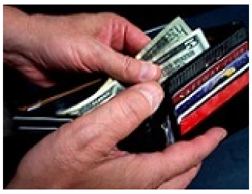
MORE JOBS AND CONSUMER SPENDING COULD EQUAL ECONOMIC RECOVERY



Economic recovery in the U.S. has shown some improvement lately. Many experts associate the 734,000 new jobs made available over the last few months with this progressive movement: more jobs should lead to more consumer spending, which should lead to expansion of the economy, which should lead to even more jobs, and so on. While the recovery is not developing as quickly as many would hope, the outlook is generally positive. The recent additions of jobs, as well as higher hourly wages and additional working hours, have some estimating new income hitting nearly 360 billion dollars. Economist Ray Stone, co-founder of Stone & McCarthy Research Associates in Princeton, NJ, said in an article on Reuters.com, “There is some probability that [the economy] will feed on itself and that this acceleration we have seen in employment will translate into stronger GDP [gross domestic product, the market value for all goods and services, and which can be measured by measuring total income] growth, stronger income growth and a stronger economy over the quarters ahead.” He further noted that he would “wait for a few months” before confirming a full recovery, but he believes that things look encouraging. Lack of jobs and strong income advances were largely absent from 2007 to 2009, so while wages remain at a disadvantage due to the abundance of Americans continuing to search for gainful employment, circumstances are likely to see a bright side. “With employment gains starting to accelerate, it’s certainly something that will push income growth to be more consistent with employment growth, and therefore it creates a virtuous cycle that we are all waiting for,” Torsten Slok, a senior economist at Deutsche Bank in New York, said. Millan Mulraine, senior macro strategist at TD Securities in New York, surmised that 100,000 positions added to payrolls would possibly raise income growth from 0.2 percent to 0.3 percent. For a six-month period ending last January, income growth averaged a 0.3 percent monthly increase. “If the economy generates 225,000 to 250,000 jobs per month for the rest of the year, nominal income growth could accelerate and be sustained at a more respectable 0.4 percent monthly average,” Mulraine noted. Consumers may see a jump in spending – or aid in that jump by spending their own money – with a faster rate of growth in income. According to Mulraine, there’s a chance that consumer spending could increase 0.2 percent when adjusted for inflation. More spending could boost income – and GDP – to approximately 2.5 to 3 percent for this year alone. In 2010, the U.S. economy showed a mere 1.7-percent growth. Mulraine acknowledged that the current income growth was not moving at “an especially strong pace,” but hopes that the recent improvements, however minor, will initiate a trend that “will place the recovery on much firmer footing going into 2013.”