

US economy: Steady as she goes

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America's economy will hum along its path of moderate growth, adding 4.7 million jobs through the end of next year, say University of Michigan economists.

"[Employment growth](#) will not exceed 200,000 jobs per month, however, until output growth ratchets up to a sustained 3-percent pace during the second half of next year," said U-M economist Joan Crary. "With this moderate pace of job growth, employment will finally exceed its January 2008 peak around mid-2014, a six-and-a-half-year span."

In their annual summer forecast update of the U.S. economy, Crary and colleagues Daniil Manaenkov and Matthew Hall predict overall [economic output](#) growth (as measured by real [Gross Domestic Product](#)) of 2.2 percent during this year and 3 percent during next year—compared with last year's 1.7 percent growth.

Unemployment is expected to improve to 6.8 percent by the end of 2014, they say. The unemployment rate averaged 8.9 percent in 2011 and 8.1 percent in 2012 and is projected to average 7.5 percent for the current year.

"Sluggish labor force growth has contributed to the drop in the [unemployment rate](#) during the recovery," Crary said. "As [job prospects](#) improve, workers should return more quickly to the labor pool, slowing the improvement in the jobless rate."

In addition to moderate growth in GDP and employment this year and

next, the forecast calls for steady recovery in the [housing market](#). Single-family housing starts increased by more than 100,000 units last year to 540,000 and are expected to rise to 700,000 this year and to 950,000 in 2014. Existing single-family home sales are expected to rise from 4.1 million in 2012 to 4.4 million this year and to 4.8 million in 2014.

The U-M [economists](#) say that light vehicle sales will continue to improve, from 14.4 million units last year to 15.3 million units this year and 15.7 million units next year.

"Easing credit conditions for auto loans, along with pent-up demand, are helping to support sales," Manaenkov said. "In recent months, light trucks have accounted for more than half of light vehicle sales. Analysts attribute some of that improvement to rising demand for pickup trucks associated with the recovery in homebuilding activity."

Finally, the forecast predicts that headline inflation will remain subdued at less than 2 percent through the end of 2014, while interest rates will move slightly upward, but still stay low.

The U-M forecast is based on the Michigan Quarterly Econometric Model of the U.S. Economy and compiled by the U-M Research Seminar in Quantitative Economics. For more information, visit www.umich.edu/~rsqe.

Provided by University of Michigan

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