

Fed survey: Recovery gaining momentum

Majority of Fed's regions report some pickup in activity

By JEANNINE AVERSA
The Associated Press

WASHINGTON — The economic recovery gained traction in late fall as shoppers spent a bit more and factories bumped up production. That assessment Wednesday by the Federal Reserve marked its most upbeat view since the economy tumbled into recession two years ago.

The Fed's new snapshot of business barometers nationwide found that conditions have generally improved since the last report in late October.

Eight of the Fed's 12 regions surveyed reported some pickup in activity or improved conditions, the Fed said. Those regions were: Boston, New York, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco.

The four other regions — Philadelphia, Cleveland, Richmond and Atlanta — described conditions as little changed or mixed.

The new report adds to evidence that the economy is rebounding after the worst recession since the 1930s.

The main challenge for Fed Chairman Ben Bernanke, who will be on Capitol Hill today seeking confirmation for a second term, is to sustain the fledgling

Kansas City region

This region covers Wyoming, Nebraska, Colorado, Kansas, Oklahoma and parts of Missouri and New Mexico.

Activity expanded "modestly." Retail sales increased — supported by heavy discounting of merchandise. Sales of mid-priced appliances were brisk. Some jewelers reported higher sales. Auto dealers said sales were stable and were optimistic about prospects going forward. Manufacturing activity grew modestly, with the outlook generally optimistic. Sales and capital spending in the high-tech services and transportation sectors grew. The housing market continued to recover, helped by the government's homebuyer credit. Sales were strongest in the low end of the market, while sales of luxury homes were "anemic." Commercial real estate remained weak. Energy activity rose slightly. In agriculture, grain prices have risen. Cattle and hog prices edged up but are still below break-even prices because of rising feed costs.

rebound, especially after the benefits of government support fade next year.

To that end, the Fed is expected to hold a key bank lending rate at a record low near zero when it meets Dec. 15 and 16. Economists predict the Fed will keep rates at super-low levels well into next year.

With Wednesday's survey also finding that inflation remains under control, the Fed has leeway to hold rates at record-lows. The central bank hopes that will entice people and businesses to step up spending, which would bolster the economy.

Although the jobs market remains lousy, the Fed survey found some scattered signs of improvement in some markets.

The nation's unemployment rate — now at a 26-

year high of 10.2 percent — will continue to climb into next year. Some predict it will rise as high as 11 percent by the middle of 2010 before slowly drifting down.

The Fed warned last week that it could take five or six years for the job market to return to normal.

That's why Bernanke and others think that consumers — while appearing to hold up fairly well now to all the negative stresses — may turn more cautious, restraining the recovery.

"This slow-motion recovery is going to take an extraordinary amount of patience," said Brian Bethune, economist at IHS Global Insight. He and other analysts predict the economy will see growth moderate in the months ahead.