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## **Economic cycles get a pump in the spring quarter**

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The first day of spring is March 21, 2012 and Daylight Savings starts March 11, 2012. Economic cycles probably get a pump in the spring quarter with housing markets ramping up in listings, sales and starts. Commercial construction also develops momentum in warmer weather. Spring adds freshly minted graduates to the employable ranks and emerging households. Unlike the fall harvest, the spring certainly invokes rebirth and brightening, warming skies and longer days. Like New England weather, the local economy has had little or no spring the last two or three years. This spring the economic cycle is in sync!

February economic data has continued the trajectory of the January jolt. As modest as the positive employment trends are, these positive trends continue and are impacting consumer confidence and the forecasters. Reports from the twelve Federal Reserve Districts released February 29 in the Fed's Beige Book survey of business suggests that overall economic activity continued to increase at a modest to moderate pace in January and early February. The Conference Board's consumer confidence index increased to 70.8 based on February survey data released February 28, 2012, significantly higher than reported expectations of 63. Although this index does fluctuate substantially - 40.9 in October 2011, moving from the low 40s to the high 60s in the last twelve months - the 70.8 reading is considered closer to stable economy than danger zone. Retail expenditures are bumping up and housing sales volumes are up marginally; both trends consistent and more encouraging than the index.

Massachusetts showed preliminary loss of 6,200 jobs in December with decline in unemployment rate to 6.8 %. For 2011, the state gained 40,700 jobs, or 1.3 %, 45,600 jobs in the private sector or 1.7%. The nation during the same period recorded overall rate of 1.3%, 1.8% in the private sector. MassBenchmarks, published by University of Massachusetts, reported February 28 that it expects the state record moderately improving economic growth in 2012, tracking the nation, presumably in the range of 2.5%. forecast is based on recent employment trends, strong retail sales, tentative improvement in housing recorded in the state. The First District - Boston reported in the Fed's Beige Book reported that economic activity expanded or improved in most sectors. With the commercial and residential real estate reporting little or no change from the last two reports, business contacts in other sectors report similar or better growth.

Fed Chairman Bernanke in his Semi-Annual Monetary Policy testimony before the House of Representatives on February 29 repeated assessment of a weak economy and a bias for continued easing strategy of FOMC. Above-consensus, the FOMC forecast economic growth of 2.5% for 2012. Bernanke continued to characterize the recovery as uneven and modest, and that outlook would justify the FOMC maintaining federal funds rate in the 0 to  $\frac{1}{4}$  per cent range through the end of 2014 as previously stated if not longer.

Some time will be lost as the local markets spring forward with daylight savings. However, the

outlook finally has some upside risk. Euro zone troubles continue to impact optimism about domestic recovery. Government cutbacks continue to offset employment gains from the private sector and threaten government funding for private sector programs. Now the uncertainty in the oil markets and domestic pricing has grabbed headlines as well because of recent increases at the pump. Remember the forecast of persistent volatility in the security markets and potential recurring financial trauma somewhere. However, up ticks for the beginning of 2012 in a variety of economic indicators show persistent recovery if not robust expansion and reason to feel like spring!

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