

Economists Reduce Growth Forecast; Project GDP to Expand 1.7% in 2011

By Bob Willis
Bloomberg News

The U.S. economy will grow less than previously estimated through 2012, reflecting a slump in confidence, limited consumer spending and a struggling housing market, a survey showed.

Gross domestic product in the world's largest economy will expand 1.7% this year, less than the May forecast of 2.8%, according to results of a survey by the National Association for Business Economics issued Sept. 12. Growth in 2012 will average 2.3% after a previous projection of 3.2%.

Some 54% of respondents lowered their growth forecasts because they said the legislation stemming from the debt-ceiling debate will fail to reduce the long-term budget deficit. Unemployment projected to stay above 8.5% until late next year, and Europe's debt crisis were also among panelists' top concerns.

"A wide variety of factors were seen as restraining growth, including low consumer and business confidence, uncertainty about future economic policies, a tepid housing market, and financial headwinds," Gene Huang, NABE president-elect and chief economist at FedEx Corp., said in a statement.

Thirty percent of respondents, up from 11% in May, view the recovery as "subpar, with severe wealth losses and onerous debt burdens." Some 24%, down from 34% in the prior survey, said the recovery will continue at a "moderate" pace, while 13%, up from 3%, said the economy will slide

into a recession.

Consumer spending, which accounts for about 70% of the economy, will increase 2.1% this year and next, down from the previous forecast of 2.5%, according to the survey. Auto sales will total

12.6 million this year, according to the survey.

Spending on home construction will drop 1.6% through the fourth quarter, compared with a prior forecast for a 0.9% increase. Home prices, as measured by the Federal

Housing Finance Agency's index, will decline 2% in the fourth quarter from the same three months last year.

Payrolls will increase 124,100 a month on average this year, down from the prior estimate of 190,300 workers, the survey showed. Unemployment will average 9% in 2011, higher than the 8.7% projection in the prior survey.

While it may be a source of strength for the economy, the

economists also lowered their estimates for business investment in equipment and software by 2.7 percentage points. They project it will expand 0.2% in the fourth quarter from a year earlier.

Fifty-two NABE members responded to the survey, conducted Aug. 10-24. The National Association for Business Economics, founded in 1959, is the professional organization for people who use economics in their work.

ACT Crafts Deal To Acquire Unit Of Rinchem Co.

Advanced Chemical Transport Inc. said it has finalized an agreement to acquire the environmental services division of Rinchem Co.

Terms of the deal were not disclosed.

ACT, a privately held Sunnyvale, Calif., waste management company, will gain full access to its own treatment storage and disposal facility in New Mexico, as well as three other facilities in the U.S. Southwest and Mexico.

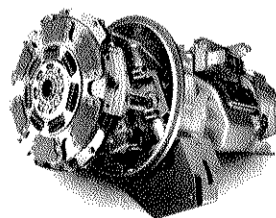
According to the buyer, the sale allows Rinchem, Albuquerque, N.M., to focus on its primary business: chemical handling and warehousing. Advanced Chemical said it hopes to use its hazardous waste team to grow Rinchem's environmental service operations.

In July, Rinchem announced the launch of a new affiliate called CGL Transport LLC which is dedicated to expanding the company's domestic transportation business.

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