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HEADLINE SIGNS OF AN UPTURN
Two Upbeat Reports Hint of Rising Demand
Economy: Consumer confidence jumped, while durable goods orders hit their highest level in 15 months.
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Suggesting that the economy may be showing fresh signs of life, consumer confidence surged after the presidential election while orders for big-ticket items posted their biggest rise in 15 months, according to two economic reports released Tuesday.

The Conference Board, a business research organization, said its consumer confidence index rose 11 points to 65.5 from a revised 54.6 in October. Meanwhile, orders to U.S. factories for long-lasting durable goods—those intended to last at least three years such as cars and appliances—totaled a seasonally adjusted \$124.4 billion in October, 3.9% more than the month before, the Commerce Department said.

Economists and political leaders have been searching for signs of an improvement in consumer confidence—particularly as the critical Christmas shopping season approaches—because consumer spending accounts for about two-thirds of the nation's economic activity.

In anticipation of more consumer spending, buoyant investors drove up stock prices on Wall Street, where the Dow Jones average of 30 industrial stocks jumped 25.66 points to close at 3,248.70.

The latest economic news, however, was not strong enough to suggest a robust recovery is at hand, economists said. The confidence level of consumers was still below that of last spring, they noted. Also, the gain in durable goods orders was concentrated in aircraft and automobiles.

Also, recession in California and the Northeast is dragging down the national recovery, a study by the Federal Reserve Bank of San Francisco said in a report issued Tuesday.

The report, published in the bank's weekly newsletter, said that technically the United States had been in economic recovery for 18 months. But the recovery was weak compared to the previous six recoveries, and economic performance varied greatly among regions as it also did during the downturn, the report said.

Nonetheless, the jump in confidence pointed to rising demand and economic activity after months of lackluster consumer spending in shopping malls, realtors' offices and auto dealerships, experts said.

* "This is real important," said Campbell Harvey, an associate professor of finance at Duke University. "It is one more piece of evidence that we've turned the corner. . . . The better the confidence numbers overall, the better the economic performance will be even in still-depressed regions" such as California.

"People are optimistic about a change in Administration even though it doesn't put money in their pockets," said Cynthia Latta, a senior financial economist for DRI-McGraw Hill, a Lexington, Mass.-based economics consulting firm. "But it's clear that the

recovery is gaining a little more momentum and people are sensing that."

"We rarely get a jump of this magnitude," added Fabian Linden, executive director of the Conference Board's Consumer Research Center, which conducts the widely watched survey based on a sample of 5,000 households. "People are a good deal more optimistic about the future. But we still have a long way to go in this recovery."

The Conference Board noted that the level of consumer confidence was consistent with recent reports showing an increase in retailing and some improvement in industrial production and employment.

A few economists added that the improvement was substantive and not simply a knee-jerk reaction to the election results.

"I think it has a more solid basis than a momentary euphoria over a change in administrations," said John Tucillo, chief economist of the National Assn. of Realtors. Consumers, he said, have been working off their debt and are now "happier with their balance sheets."

The improvement in orders for durable goods was fueled largely by a spike in demand for transportation and defense products, which often experience wide monthly swings.

Transportation orders shot up by 20% last month after falling 5.6% in September. Orders for defense goods climbed 42% in October after a 20% drop in September.

Without the 20% surge in transportation equipment, orders would have edged down by 0.7%.

"Contrary to initial appearances, the sharp rise in durable goods orders does not signal a decisive break with the pattern of stagnation that has gripped the economy for several years," Gordon Richards of the National Assn. of Manufacturers told Associated Press.

Last month's overall 3.9% increase, however, was far above the 0.7% gain that many Wall Street economists predicted. What's more, September orders were revised to show a gain of 0.3% instead of a previously stated 0.1% decline.

Good Economic Signals

Reports showed orders for expensive durable goods rose at their fastest pace in 15 months in October, while consumer confidence hit a five-month high this month.

Durable Goods

New orders, billions of dollars, seasonally adjusted.

Oct. '92: \$124.4

Consumer Confidence

From a monthly survey of 5,000 U.S. households.

Nov. '92: 65.5

* DOW UP 25.66 POINTS

Gains by stocks were bolstered by positive economic news and a jump in the broad market to record highs. D4

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