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Consumer Spending Leading Economic Growth, Says Moody's

U.S. consumers are likely to continue buying goods and services at a steady rate, though that may not be enough to save some struggling retailers, according to an analysis by Moody's Analytics.

Consumer spending in the U.S. has been growing by about 3 percent year-over-year, which is weak by historical standards when the country is not in a recession. However, the risks going forward are weighted to the upside, says Moody's Senior Director Scott Hoyt.

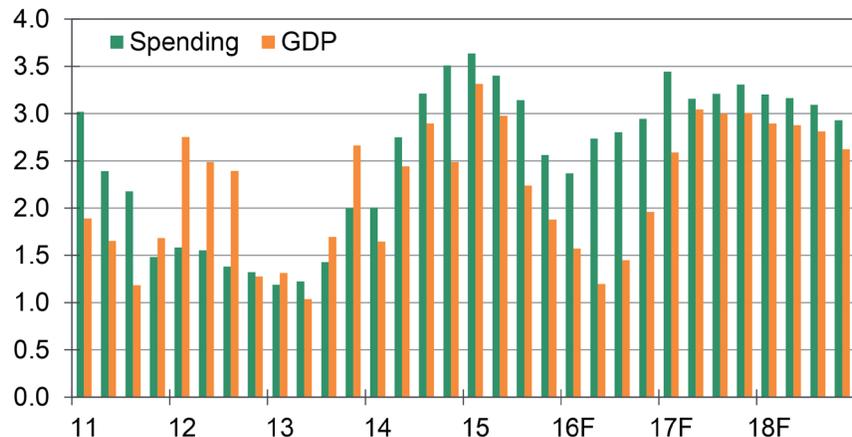
"Consumer spending is growing at a healthy pace and powerfully leading economic growth," Hoyt said. "Tightening labor markets and faster wage growth are among the factors that will propel spending forward, allowing real growth to maintain its healthy pace and retail sales growth to gradually improve."

There are a number of reasons that overall growth of consumer spending is likely to be strong going forward. Those include:

- **Job growth remains strong.** The economy has produced about 200,000 jobs per month since 2010, dropping the unemployment rate below 5 percent. However, workforce participation levels remain off historical highs and the number of underemployed workers remains at a level that is less than full employment.

Consumers Lead the Economy

Real values, % change yr ago



Sources: BFA, Moody's Analytics