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Obama Schedules Media Time as Economy Crawls

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Fresh off his family vacation in Martha's Vineyard, President Obama is back in Washington and facing the most pressing domestic issue of his administration -- economy, economy, economy.

Obama plans to address the economic situation in the Rose Garden Monday afternoon after new government figures showed a flash of good news. The Commerce Department reported Monday that consumer spending rose 0.4 percent, the fastest pace in four months.

But the so-called recovery remains in danger of limping along or even reversing in the second half of the year, economists warn.

Other economic vital signs suggest the latest pickup is a hiccup unless employers start adding jobs. Personal incomes went up just 0.2 percent in July -- that's an improvement over June, but they'll have to keep rising to sustain long-term growth in spending and the overall economy. A sequence of economic reports set for release later in the week should give a better picture of whether job growth is stuck in neutral.

Following a revised Commerce Department estimate last week showing the economy grew at just 1.6 percent in the second quarter, Moody's Analytics economist Gus Faucher said job growth could idle well into 2011 before employers start spending their cash reserves on new hires.

"It's going to be much softer than we prefer," he said, predicting the jobless rate will just about hold steady at 9.5 percent for August when the new employment numbers are released Friday. Cato Institute fellow Dan Mitchell said this is not what a post-recession economic recovery is supposed to look like.

"Normally you're supposed to have a strong bounce," he said. "At best, we're simply slowly crawling our way back up to an average growth rate. We're not having a big bounce back to recover the lost output."

Mitchell said he doesn't expect a double-dip recession, but that hiring needs to improve.

"If you don't hire new people, it's really hard to get GDP up and national income up," he said.

The anemic pace of the recovery spells trouble for the incumbent party in Washington. An Associated Press/GfK poll conducted in mid-August showed 41 percent approving of President Obama's handling of the economy, his lowest marks yet. With few signs that a sudden economic surge will inspire new faith in Democrats' domestic policies before November, lawmakers are trying to keep the focus on jobs.

Obama, in an interview with NBC's "Nightly News," said Sunday that his administration "anticipated" a slowing recovery and called for new measures.

"The economy is still growing, but it's not growing as fast as it needs to," Obama said. "I've got things right now before Congress that we should move immediately. ... We should be passing legislation that helps small businesses get credit. That eliminates capital gains taxes so they have more incentive to invest right now. There are a whole host of measures we could take, no single element of which is a magic bullet, but cumulatively, can start continuing to build momentum for the recovery."

The second-quarter estimate for GDP growth was downgraded last week from its original 2.4 percent. Some economists forecast an equally idle 1.7 percent growth in the third quarter.

While the economy has grown for four straight quarters, the overall pace has averaged just 2.9 percent. Business investment in the first half of this year on new equipment and inventory helped boost recent growth, but that buildup may be leveling off.

Housing data also has been consistently dismal. Numbers for new home sales fell 12.4 percent in July, the slowest pace on record.

The trend lines have generally tilted in a steep downward direction since the expiration of the homebuyer tax credit at the end of April.

A memo on last week's GDP numbers from BBVA Research said estimates "confirm that substantial economic slack remains and the pace of growth is going to ease in the second half of the year."

The latest consumer spending statistics were nevertheless seen as a positive sign and taken by some as evidence that the economy is headed in the right direction. The July increase in consumer spending was the highest since a 0.5 rise in March.

Peter Newland, an economist with Barclays Capital Research, said in a research note that consumer spending will "continue to recover, albeit modestly, supported by a gradual improvement in labor income."

The Associated Press contributed to this report.

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