



## THE CAPITAL CORPORATION

*Closing Deals. Opening Doors.*

# From Jobs to Gas: Your 2010 Economic Outlook

Predictions on What Will Jump, What Will Recover and What Will Waver in 2010

By **BETSY STARK**

ABC NEWS Business Correspondent 

Jan. 4, 2010

Many Americans couldn't wait to bid good riddance to 2009. But will 2010 be a better year for The Economy? It should be.

A vicious recession has given way to a fragile recovery, courtesy of extraordinary [stimulus](#) from the federal government. Which raises the question: When that stimulus wears off, will "private demand" pick up the slack? Will the economy be able to walk on its own two feet? The Federal Reserve is forecasting an average GDP growth rate for 2010 of 2.5 to 3.5 percent. But forecasters are divided on how quickly and forcefully the recovery will take hold. And plenty of risks remain.

So ... here is your thumbnail guide to Economic Outlook for 2010 on the issues that matter most:

**1. Jobs, Jobs, Jobs: When Will Employers Start Hiring?** The consensus is that 2010 will be another year of high [unemployment](#). The question is: how high? Even the best-case scenarios recognize that the economy is unlikely to grow fast enough to make a serious dent in the 10 percent jobless rate.

Employers are expected to start hiring early in 2010, bringing an end to two straight years of job losses. But the economy needs to create at least 150,000 jobs a month just to absorb new entrants in the labor market, and most economists don't expect to see that pace of hiring until at least the second half of the year.

Ironically, as the economy and the job market improve, discouraged workers may return to the hunt, further elevating the unemployment rate. The increase in temporary hiring and the big jump in worker productivity are usually harbingers of better days to come in the job market. But companies tend to hire very conservatively in the aftermath of a recession, waiting for decisive signs of recovery before ramping up

their payrolls. **FORECAST FOR 2010: Unemployment Rate = 9.3 to 9.7 Percent** (source: Federal Reserve)

**2. Housing: Poised for a Comeback, at Risk for Further Fall** Historically low mortgage rates, the extension of the homebuyer's tax credit and the drop in home prices to more affordable levels are all expected to fuel sales. Moody's Economy.com expects the homebuyer's tax credit alone to generate an extra 500,000 sales. But the fallout from the foreclosure crisis is also expected to continue. Roughly 1 in 10 homeowners is behind on the mortgage payment, roughly 1 in 5 owes more on a mortgage than the home is worth, and the federal government's various programs to mitigate this disaster have been largely ineffective.

That's a recipe for continuing foreclosures in the hundreds of thousands, and as those homes hit a market still trying to work off an overload of unsold houses, they are likely to push more Americans underwater and into financial jeopardy. **FORECAST FOR 2010: Home Prices Up 1.3 Percent** (source: WSJ economist survey)

**3. Stocks: After the "Sugar High"** 2009 was an extraordinary year for investors: the DJIA up 18.8 percent, the S&P 500 up 23.5 percent and the Nasdaq up 43.9 percent.

Markets soared on the various gifts from the government, including taxpayer bailouts of banks, zero percent interest rates for the biggest borrowers and a Federal Reserve willing to step in and take lending risks while turning over the rewards. But as the sun sets on what PIMCO's Mohamed El-Erian calls this "sugar high" for the markets, the outlook is riskier.

Optimists say if the economic recovery stays on track, there's lots of cash on the sidelines still waiting to get in that could drive stock prices higher in 2010. Pessimists say the big rally in 2009 has already "baked in" the recovery and the market is ripe for a correction if the recovery shows any signs of faltering.

**FORECAST FOR 2010: S&P 500 Up 9 Percent** (source: Standard & Poor's)

## **Economic Outlook for 2010**

**4. Energy Prices: Higher as the Economy Improves** Demand for energy goes up when the economy improves. And so do prices. But analysts say that until the global economy recovers in earnest oil prices -- and prices at the pump -- will stay well below the record \$150-a-barrel and \$5-a-gallon levels set in the summer of '08.

Also keeping a lid on gas prices: unemployment. U.S. highway officials say the recession's toll on jobs reduced the number of commuter miles on the road last year, reducing demand for gasoline. Still, expect the trend in 2010 to be higher. **FORECAST FOR 2010: Oil Up 27 Percent to \$78.67 a Barrel; Gas Up 19.5 Percent to \$2.88 a Gallon** (source: EIA)

*ABC News' Daniel Arnall contributed to this report.*