

Better? Barely.



The national economy is going into the 2012 year as the engine that might. The last few months of the year saw many economists predicting a noticeable stumble in the U.S. economy, only to have the Gross Domestic Product (GDP) perform better than they expected. It wasn't stellar U.S. GDP performance, but it did beat the gloomy predictions.

Yet the national economy is weak enough that the gloomy predictions won't go away, even with the economy having shown them wrong at the end of 2011—the underlying feeling is that the performance barely qualified as 'better.' There are still a lot of clouds and question marks hanging over the horizon to keep these gloom-seers active.

The biggest and most immediate is the European debt situation. A Greece meltdown would have made headlines, yet would have been contained. By not taking any significant action, this has allowed anxieties to grow into other larger, more influential countries like

Italy and possibly France. The more the European-money people hesitate to address the issue, the more of a chance these bigger states may become susceptible. Many economic forecasters have already built a Eurozone recession into their forecast, so if that happens it will not be a surprise. A more uncertain question is how much would that affect the United States' economy. Here the pundits are less certain and more variable. Some see deep pain, others see only a glancing blow.

That's not the only thing that could trip up the U.S. economy. A nuclear Iran has suddenly risen to the forefront. Any kind of drastic military action against this situation is bound to inflame oil prices, and strong oil price climbs bring with them a high probability of disrupting the U.S. economy—especially a fragile U.S. economy such as this one.

There are also internal issues. The government debt situation hovers over any long-term U.S. economic discussion. The budgetary supercommittee

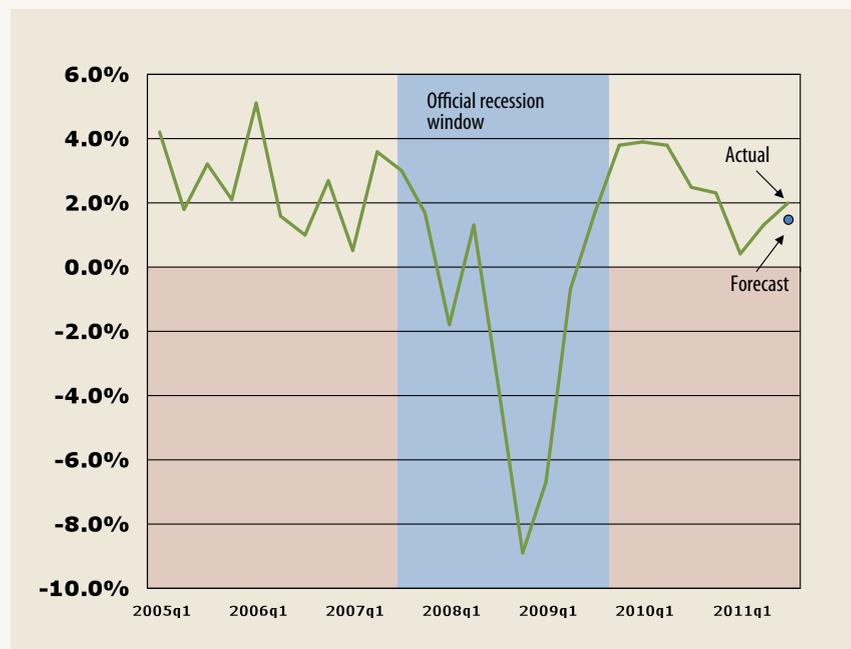


Although the GDP wasn't stellar, it did beat gloomy predictions.

designed to evaluate U.S. debt reduction made no recommendations. Political disagreement and confrontation seem to be the current operating mode, even freezing up a bipartisan panel. No wonder observers fear that the desired compromise and cooperation are hard to see from this vantage point. There is also the issue of whether the payroll tax cut will be extended, as well as unemployment insurance benefits. The expiration of both have the potential of shaving points off of 2012 GDP growth.

At present they look menacing, but all of these clouds could turn out to be harmless or minimal. If none spring up to be of major consequence upon the U.S. economy, then the current positive economic momentum that Utah is experiencing can continue to move forward and build upon itself. It's difficult to find anyone who thinks the national economy will deliver a major positive surprise in 2012. Given the amount of clouds that observers point to as trouble areas, if none develop, that might turn out to be the economy's positive surprise. 

U.S. Gross Domestic Product Change Quarterly
2005—Present



Source: U.S. Bureau of Economic Analysis. Forecast is summarized as a general expectation from various economic forecasting groups.