
U.S. economy will improve regardless of election results, consultant says

By Editor Test *Mon, Nov 5, 2012*

"The American economy is doing better than people tend to think," said Robert Wescott (left), head of Keybridge Research in Washington, D.C.

It doesn't much matter whether Barack Obama or Mitt Romney wins the presidential election. The more interesting question is how well the Tea Party will fare, says Robert Wescott, head of Washington, DC-based Keybridge Research.

Wescott's comments were reported by *IPE.com*.

If the Tea Party makes a strong showing, its views will likely influence a Romney presidency strongly, "as Romney would feel beholden to the ultra-conservative end of his party and would be forced to appoint a number of cabinet members with Tea Party credentials and support," Wescott said.

But Tea Party aside, the differences between Obama and Romney are far less pronounced than the election rhetoric suggests, Wescott says.

"Like Romney, Obama intends to address the deficit and like Obama, Romney has no wish to indiscriminately slash spending and risk putting the economy back in recession," he said.

Regardless of the election outcome, the economist believes US policymakers will find a way to avoid the 'fiscal cliff,' in which \$600 billion (€463bn) in tax increases and budget cuts are scheduled to take effect automatically by the end of this year.

Neither Democrats nor Republicans want this to happen, and both parties agree in large part on how to avoid the fiscal cliff, Wescott said.

"There is just a 5% chance the fiscal cliff will really bite," he added. "I expect that two-thirds of the automatic budget cuts will be slashed and that we'll ultimately have cuts of approximately 1-1.5% of GDP in 2013 - a percentage that will still allow the economy to grow at a reasonable rate."

"The American economy is doing better than people tend to think," he said. "The housing market, in particular, is rebounding much more strongly than many people realize. Housing starts are up, and the demand for new mortgages is so great that banks are having to hire scores of new loan officers to process applications.

"We're already seeing the positive effects of the housing rebound on construction and anything to do with housing - from furniture to appliances. And then, of course, there is also a positive psychological effect. People who see the value of their house go up are more willing to spend their money."

Wescott cited the chemical sector as one of the most exciting areas in the US economy right now. “The price of natural gas in the US dropped to just \$1.80 per million BTUs – that is very low, indeed, considering the price is \$15 per million BTUs in Asia and \$10 in Europe. Plus, we have just added 100 years to the proven reserves in terms of shale gas. As a result, we are seeing a revival of manufacturing in the industrial core, driven by cheap gas.”

Investors would do well to focus on the US housing sector and related businesses, and, “from an investor standpoint, I’m also upbeat about anything to do with the chemical industry – from plastic bags to fertilizer,” he said.

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