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By **Rex Nutting**, MarketWatch

WASHINGTON (MarketWatch) -- The U.S. economy will likely have a "nice period of growth" in the second half of this year, but might need more government stimulus next year to keep the momentum going, a top economic forecaster said Wednesday.

The economy still faces major challenges, said Joseph Brusuelas, a top economist for Moody's Economy.com, whose team won the August Forecaster of the Month award from MarketWatch for their accurate predictions on 10 major indicators.



Joseph Brusuelas
MOODY'S ECONOMY.COM

	FORECAST	ACTUAL*
ISM	46.8%	48.9%
NONFARM PAYROLLS	-305,000	-247,000
TRADE GAP	-\$27.3 B	-\$27.0B
RETAIL SALES	0.3%	-0.1%
HOUSING STARTS	585,000	581,000
INDUSTRIAL PRODUCTION	1.5%	0.5%
CPI	0.0%	0.0%
DURABLE GOODS ORDERS	4%	4.9%
NEW HOME SALES	400,000	433,000
CONSUMER CONFIDENCE	47	54.1

* Subject to revision

1. The condition of the consumer, who is being held back by tight credit and tighter job markets
2. Business investment, which has now apparently stabilized at low levels after a tremendous decline over the past year
3. How the Federal Reserve manages its reserves as it begins to withdraw its special lending and liquidity programs

Brusuelas expects the Fed to end its asset-purchase programs early next year. But the Fed won't raise interest rates until late next year, or early 2011, he said.

"There is a chance we'll need more fiscal stimulus," he said. In particular, Congress may extend benefits for unemployed people, give more money to the states, and extend and expand the homebuyer tax credit.

Brusuelas joined Economy.com in February. He was chief U.S. economist for IDEAglobal and chief economist for Merk Investments, and brought some Wall Street experience to Economy.com, which is known mainly known for its top-notch regional and sectoral economics. Economy.com is based in suburban Philadelphia.

Brusuelas also brought a more refined forecasting method, employing more proprietary models.

In the August contest, Brusuelas' team bested 44 other forecasters. They had the most accurate forecasts on two indicators (the consumer price index and retail sales) and were among the 10 most accurate on four others (the trade gap, housing starts, new home sales and durable-goods orders).

The runners up in the contest in August were Richard Moody of Forward Capital, Nigel Gault and Brian Bethune of IHS Global Insight, David Resler of Nomura Securities, and Briefing.com.

"It's a team effort," said Smith of Economy.com's efforts. The three forecasters get together as a group to hash over their forecasts, spot anomalies, and fine-tune their models.

"It's an advantage to have a large regional forecasting group" to bounce ideas off, said Sweet. "And it helps to have Mark Zandi down the hall," Brusuelas said, referring to Economy.com's chief economist and co-founder.

The median forecasts that MarketWatch publishes each week in the Economic Calendar come from the forecasts of the 10 economists who've scored the highest in our contest over the past 12 months, as well as the forecasts of the most recent winner and those of Irwin Kellner, MarketWatch's chief economist. [See Economic Calendar.](#)

Over the past year, the top economists are, in order: Bethune and Gault of Global Insight; Maury Harris and Jim O'Sullivan of UBS; Stephen Stanley's team at RBS Securities; independent consultant Brian Jones; Neal Soss's team at Credit Suisse; John Silvia's team at Wells Fargo; Dean Maki's team at Barclays Capital; David Greenlaw and Ted Wieseman at Morgan Stanley; Michael Feroli and Abiel Reinhart at J.P. Morgan Chase; and Ray Stone of Stone & McCarthy Research.

The top four -- Global Insight, UBS, RBS and Jones -- are also the only four winners of the MarketWatch Forecaster of the Year award.

The contest was instituted in 2003 to honor those economists who do the best job of forecasting the market-moving economic statistics. ■


Rex Nutting is Washington bureau chief of MarketWatch.

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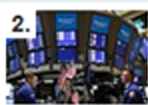



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