

## Even if it is, recovery could be soft, economists say

BY DON MECOY

Business Writer [dmecoy@opubco.com](mailto:dmecoy@opubco.com)

The economy has progressed from “less worse” to “green shoots” to occasional current speculation that the recession may have run its course.

“I don’t think nine months from now we’re going to look back and say the recession ended in May or June,” said Keith Hazelton, Oklahoma Bankers Association economist.

Federal Reserve economist Chad Wilkerson thinks it may be a bit premature to call an end — but it’s possible.

“I think we’re probably near a point where when you look back, it’s possible the recession could be officially ending around now, just given all the different indicators,” Wilkerson said.

But, Wilkerson quickly added, “It doesn’t feel that way.”

This recession, the longest since the Great Depression, likely will end with a whimper rather than a bang, local economists said.

While the end of a recession typically sparks an economic surge, persistent economic problems likely will temper the rebound, said Robert Dauffenbach, director of the University of Oklahoma’s Center for Economic and Management Research.

The nation’s transition from a manufacturing-based economy to a service-based economy also has blunted employment gains in recovery.

“The case I find most convincing is that the economy will recover to positive growth, but it won’t be that positive growth we’ve come to know and love,” he said. “We may be not far from being out of the technical recession, but I don’t think that’s any cause for street celebrations, parades and cheering.”

Encouraging data

Job losses, while still high, have been in decline, and declines in manufacturing activity have slowed while consumer spending has stabilized. Pending home sales edged up in May, the fourth straight month of gains.

Meanwhile, some economists are forecasting that the nation’s gross domestic product will show gains soon, if not in the current quarter.

“It does appear that declines in the U.S. economy, if they haven’t stopped, they have almost stopped. They’re getting much smaller,” Wilkerson said. “Most forecasts are for some pickup in GDP in the second half of the year. It does appear that the slowdown in the economy is nearing an end.”

The stock market, which usually bounces back before a recession concludes, has rallied off its March lows. The Dow Jones Industrial Average has gained 27 percent, and the broader Standard & Poor’s 500 posted a 33 percent during the past four months.

While the markets can be a leading economic indicator, Hazelton said, they also can be a misleading indicator.

“We saw a rapid twomonth rebound from previously unthought-of low points, followed by a couple of months of sideways movement,” Hazelton said. “I call that the dead cat bounce.”

Local situation good

Oklahoma’s economy remains in good shape, particularly in comparison to states east and west of us, the local economists said.

Although the state’s economy often lags the national economy, Wilkerson said Oklahoma tends to mirror the nation in a recovery.

“In past recessions, Oklahoma on average enters late but exits at about the same time, in about the same quarter,” Wilkerson said. When the state has lagged the national recovery, it was due to external factors that affect industries such as energy or aerospace that produced a larger proportion of the state’s output.

Wilkerson also points to a June manufacturing survey by the Federal Reserve that showed gains for the region that includes Oklahoma for the first time since last summer.

Hazelton says the nation’s midsection might actually be a different — and currently healthier

— economy than the rest of the nation.

“The green shoots here in the middle of the nation are real, but I think whether they’re weeds or wheat on either side of us are up for debate,” Hazelton said.

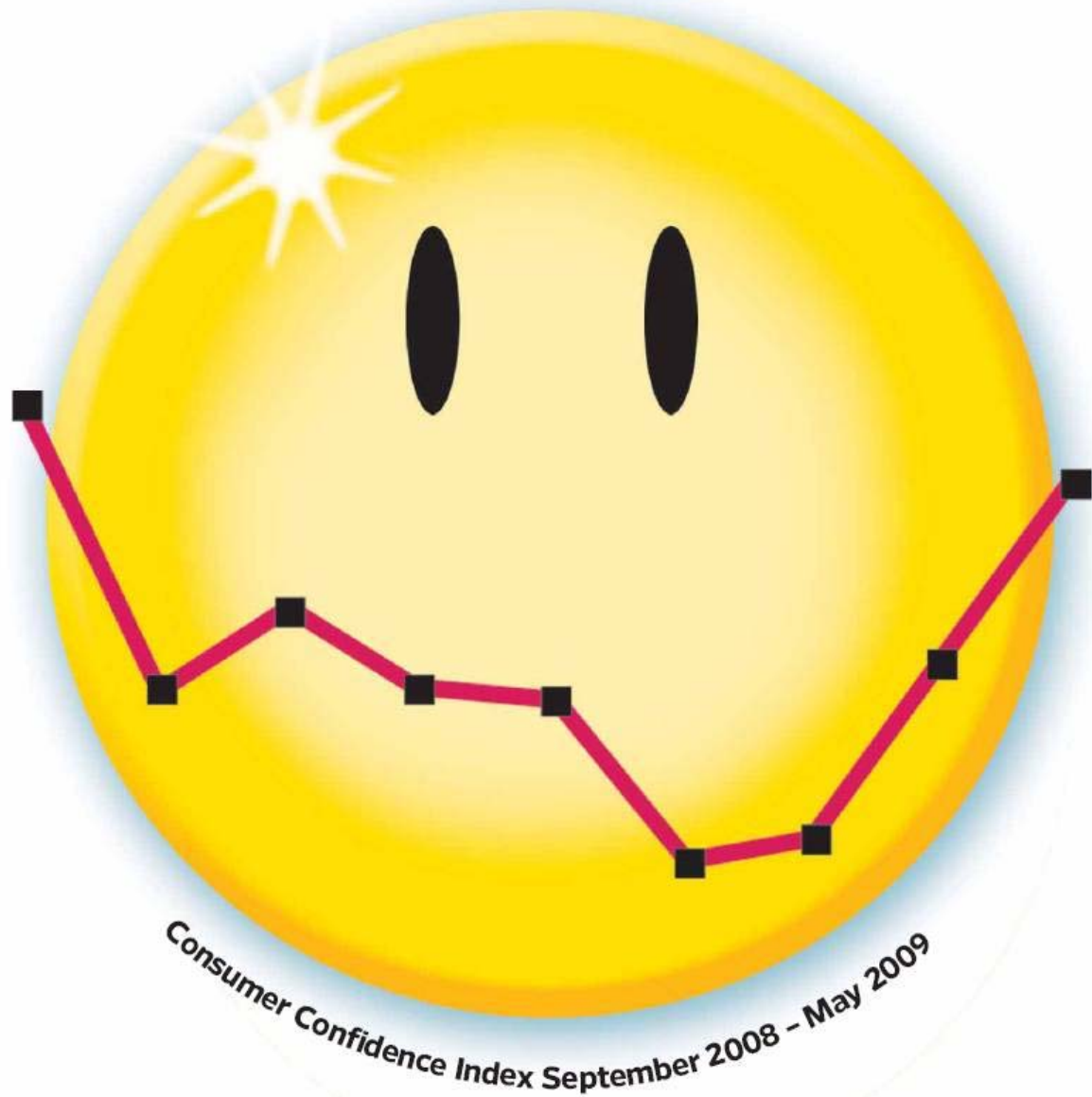
“I think a lot of people are looking at the midsection as fly-to places and not fly-over. We may see heavily populated areas on either side of us empty out and move back to middle section. People find these are darn good places to live, and they’re going to live there.”

Dauffenbach said Oklahoma’s economy is wellpositioned for recovery.

“I finally feel like once again I’m in the right state,” he said.

“We have a hardworking population, low price levels for housing, a lot of ingredients that will point business location decisions our way when people are doing those again. ... We’re in a part of the country where we make things, grow things and drill the earth for energy. We’re not in these financial schemes.”

# Recession over?



Consumer Confidence Index September 2008 - May 2009

ILLUSTRATION BY STEVE BOALDIN,  
THE OKLAHOMAN GRAPHICS

ILLUSTRATION BY STEVE BOALDIN, THE OKLAHOMAN GRAPHICS