



## Headed for Recession? ...Or for Recovery?

Odds are the country is moving towards a recession, says thirty percent of economists surveyed by the National Association for Business Economics (NABE). The survey, released early this week, showed many economists predict a weak economy in the first half of this year, up ten percent from last month. Although five of the ten leading economic indicators for March were up from last month, the key indicator of unemployment claims was the largest negative contributor. The data shows no job growth for the past three months, with the leading index falling 1.6% over the last six months.

While the economy is growing at a pace of 0.6%, many analysts say the economy's normal rate of growth should be just over 3%. The outlook is made even cloudier given weak consumer spending as a result of the housing and credit strain and rising prices. Even Fed Chairman Ben Bernanke recently acknowledged for the first time that a recession was possible.

The challenge facing the Fed is keeping the economy out of a deep recession, while at the same time, avoiding a sudden jump in inflation. Most analysts are still predicting an interest rate cut to 2% at the next Fed meeting April 29-30.

The silver lining to all this negative economic news is housing and inflation may be showing signs of healing. Housing starts have fallen a startling 12% in the last quarter. Although the news on home building suggests weak residential investment, it also suggests that builders have finally capitulated, which is the first step toward reducing inventory of unsold homes. Consumer Price Index (CPI) also gave a glimmer of hope with modest price gains of 0.3% mostly from higher energy costs. The latest CPI figure is perhaps an indication that firms are beginning to discount prices in the face of weaker consumer demand and stiff competition.

These are indeed small signs of hope, but signs of hope nevertheless.

A handwritten signature in black ink, appearing to read 'A. Heeg', is positioned above the printed name.

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