BUSINESS

Bernanke: End of year may look brighter

But businesses will remain cautious

By Jeannine Aversa
THE ASSOCIATED PRESS

WASHINGTON — Federal Reserve Chairman Ben Bernanke told Congress the economy should start growing again later this year, his most optimistic assessment of the country's financial health since the recession struck with force last year.

But Bernanke warned that even after a recovery gets under way, economic activity is likely to be subpar. That means businesses will stay cautious about hiring, driving up the nation's unemployment rate and causing "further sizable job losses" in the coming months, he told the Joint Economic Committee.

The recession, which started in December 2007, already has snatched a net total of 5.1 million jobs. The unemployment rate "could remain high for a time, even after economic growth resumes," Bernanke said.

But while some economists believe unemployment could hit 10 percent by the end of this year, the Fed doesn't share that view. The unemployment rate will probably climb "somewhere" in the 9 percent range, Bernanke said.

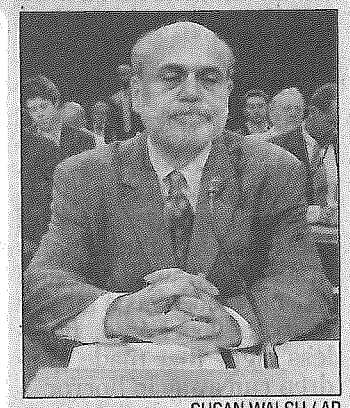
"The loss of jobs is one of the most distressing aspects of this whole episode," he said.

Even with all the cautionary notes, the Fed chief offered a far less dour assessment of the economy.

"We continue to expect economic activity to bottom out, then to turn up later this year," he told lawmakers. "We expect that the recovery will only gradually gain momentum."

Recent data suggest the recession may be loosening its grip on the country, Bernanke said.

"The pace of contraction may be slowing," he said. It was similar to an observation the Fed made last week in deciding not to take any additional steps to shore up the economy.



SUSAN WALSH / AP

Federal Reserve Chairman Ben Bernanke waits to testify before the Joint Economic Committee.