BUSINESS

Fed chief: Recession 'likely over'

ernanke warns unemployment on't improve for a while

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WASHINGTON — Fed-al Reserve Chairman n Bernanke said Tues-y the worst recession ıce the 1930s is probably er, although he cau-ned that pain — espe-lly for the nearly 15 mil-n unemployed Ameri-ıs — will persist.

Bernanke said the econ-y likely is growing now, he warned that won't sufficient to prevent the employment rate, now 26-year high of 9.7 per-cent, from rising.

"From a technical perspective, the recession is very likely. over at this point," Bernanke said in responding to questions at the Brookings Institution. "It's still going to feel like a very weak economy for some time because many people will still find that their job security and their employment status is not what they wish it was."

The recession, which started in December 2007, has claimed a net total of 6.9 million jobs.

With expectations for a lethargic recovery, the Fed predicts that unemployment will top 10 percent this year. The post-World War II high was 10.8 percent at the end of 1982.


Bernanke

Some economists say it will take at least four years for the jobless rate to drop down to a more normal range of 5 percent.

Even if the economy logs "moderate" growth in 2010, unemployment is likely to stay elevated, Bernanke suggested.

"Unfortunately, unemployment will be slow to come down. It will come down but it may take some time," he said. "Obviously, that's a very serious concern."

Drugmaker Eli Lilly & Co. said Monday that it will cut 5,500 jobs over the next two years, 14 percent of its work force, as it restructures the company into five units.

Still, Bernanke's declaration that the recession likely ended marked his most optimistic assessment yet of the economy. And his remarks came on the same day that the government report that retail sales jumped 2.7 percent in August, the most in more than three years.

Last month, Bernanke told a Fed conference in Wyoming that economic activity appears to be "leveling out" after declining sharply at the end of last year and into the beginning of this year. He also said that the global economy was just "beginning to emerge" from recession.

Bernanke's speech to at Brookings was identical to the one he delivered at the Fed conference.

Analysts predict the U.S. economy is growing in the current quarter, which ends Sept. 30, at an annual rate of 3 to 4 percent. It shrank at a 1 percent pace in the second quarter.