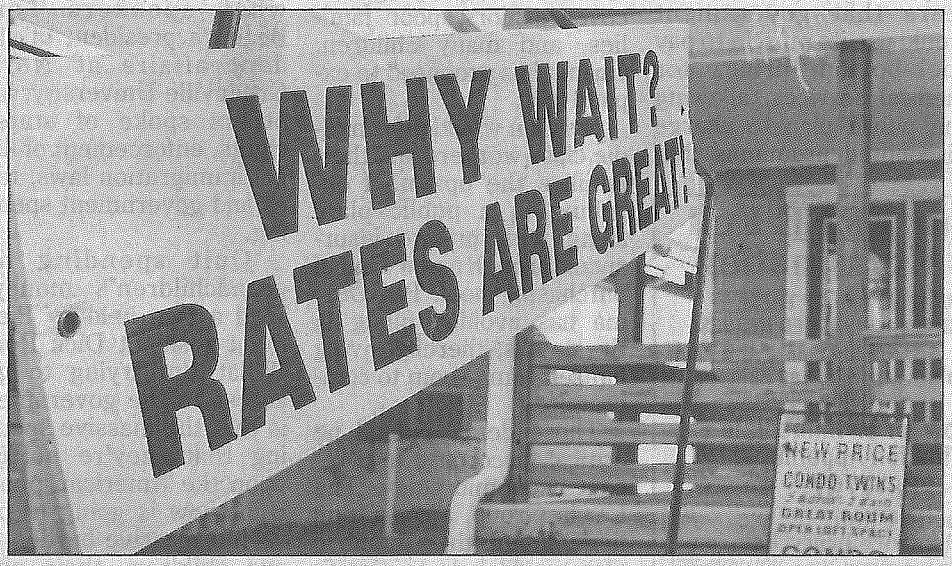
Fed finds faint signs of hope

Some regions see 'stabilizing at a low level'

By Martin Crutsinger
THE ASSOCIATED PRESS



KIICHIRO SATO / The Associated Press

New price signs are posted in Columbus, Ohio. The Federal Reserve said Wednesday there are some faint signs the plunge in economic activity is leveling off.

WASHINGTON — The Federal Reserve said Wednesday there are some faint signs the steep plunge in economic activity that began last fall is starting to level off.

The Fed's latest survey of business conditions found five of its 12 regional banks reporting a moderation in the pace of the economic decline.

Several regions "saw signs activity in some sectors was stabilizing at a low level ... (but) overall economic activity contracted further or remained weak," the Fed said.

The survey, known as the Beige Book, struck a slightly more positive tone than last month's report, which described an economy plunging rapidly after last fall's financial shocks.

Both President Barack Obama and Federal Reserve Chairman Ben Bernanke on Tuesday mentioned some recent signs of progress while cautioning that the recession was far from over.

The new Fed survey underscored that. It listed a host of problems in the manufacturing, home building, and travel and tourism sectors but noted some faint signals the steep fall in activity was starting to moderate.

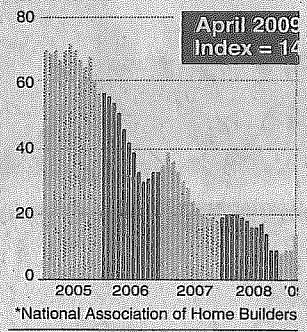
In one sign of a possible rebound, the report said while home prices and new home construction declined in most areas, the number of people shopping for homes was beginning to rise, leading to a scattered pickup in sales in some districts.

The Fed also said several districts observed a slowdown in the pace of manufacturing declines. The Cleveland, New York and Dallas regions reported a leveling off in the pace of declines in new orders.

The nation's job market, though, is not improving. "Reductions in work hours, temporary factory shutdowns, branch closures and hiring freezes remained widespread across districts," the report said.

Builders' index jumps

The housing market index climbed to it highest point since last Octobe in the largest one-month increase since May 2003.



SOURCE: NAHB/Wells Fargo Housing Market Index

The Fed found a silver lining in that as well, noting job losses have eased worries about inflation generated by rising wage pressures.

The report also said the credit squeeze that occurred as banks suffered mounting loan losses did not show any significant improvement. Demand for business loans remains weak.

Still, private economists said the new Fed survey reinforced a slightly more upbeat view on the economy.

"This is good evidence that activity is becoming less bad across the country," said Jennifer Lee, an economist at BMO Capital Markets. "Granted, things are still bad, but less so."

The new survey will be used when Fed policymakers meet April 28-29 to consider their stance on interest rates and other monetary issues.

The Fed is expected to keep a key interest rate near zero.