BUSINESS

Survey: Economists say recovery beginning

By Mae Anderson
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NEW YORK — More than 80 percent of economists believe the U.S. recession is over and an expansion has begun, but they expect the recovery will be slow as worries over unemployment and high federal debt persist.

That consensus comes from leading forecasters in a survey by the National Association for Business Economics released Monday.

"The survey found that the vast majority of business economists believe that the recession has ended but that the economic recovery islikely to be more moderate than those typically experienced following steep declines," said NABE President-elect Lynn Reaser, chief economist at Point Loma Nazarene University.

The forecasters upgraded the economic outlook for the next several quarters, but cautioned that unemployment rates and the federal deficit are expected to remain high through the next year.

Forecasters now expect the U.S. economy, as measured by gross domestic product, to advance at a 2.9 percent pace in the second half of the year, after falling for four straight quarters for the first time on record dating to 1947. They expect a 3 percent gain in 2010.

Still, the federal deficit has ballooned and the jobless rate is expected to lag behind, as employers remain cautious.

The unemployment rate rose to 9.8 percent in September from 9.7 percent, the Labor Department said this month, the highest level in 26 years.

Forecasters expect the unemployment rate to continue to rise, to 10 percent in the first quarter of next year, before edging down to 9.5 percent by the end of 2010.

The recession, the worst since the 1930s, has eliminated a net 7.2 million jobs.

Worries about unemployment are likely to continue to constrain household spending. Personal consumption spending likely began rising in the second half of this year, but is expected to remain low in 2010.

The housing recovery is one bright spot. Forecasters expect 2010 to be the first year since 2005 that the housing sector will contribute to overall growth. Home prices are expected to rise 2 percent in 2010, but panelists do not believe that will stifle the housing recovery.

Inflation is expected to remain low due to the weak labor market and other factors.