



AWAITING SIGNS OF GROWTH LOCAL FINANCIAL EXPERTS SHARE THEIR THOUGHTS ABOUT HOW THEY'LL GAUGE AN ECONOMIC TURNAROUND

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We're still in a recession, although Federal Reserve Chairman Ben S. Bernanke told Congress last week that the economy could recover later this year. n That follows earlier remarks by Bernanke that he spotted some "green shoots" of revival. n He may be right. Certainly, many people have been searching for sprouts of growth ever since the mention of "green shoots." n But Bernanke also has warned that a sustained recovery will depend on restoring stability to the financial system, and parts of that system remain under significant stress. That means these sprouts could be like my daffodils, which poke their head from the ground after a few days of unseasonably warm weather in January, only to get burned when winter returns with a vengeance. n How will we know? Economists and financial experts tell us what they're looking at to gauge an economic revival.

- Eileen Ambrose

Alan Levenson, chief economist

T. Rowe Price Associates

"The reason we are talking more about a recovery is because of what some people call 'green shoots.' I have not liked this expression. It suggests something coming out of the ground that we can see," he says. "It's a little premature. The economy is still not advancing, it's contracting." Although, he adds, the pace of the contraction has slowed. "It's good news. Things aren't getting any worse," he says. Levenson watches figures on employment, income, retail sales and industrial production to assess the economy's health. The recovery will have taken hold, he says, when production starts growing, income begins inching up, retail sales grow steadily and employment stops falling. So far, none of these is pointing in the direction of renewed growth. The stock market is often considered an indicator where the economy is headed, and stocks have been on the upswing. But Levenson warns the market isn't a foolproof indicator. Stocks appeared to hit bottom in November, for instance, but sank to another low in early March. \ \ , Richard Cripps, chief investment officer

EquityCompass Strategies

Cripps says the sign he's waiting to see is a consensus of analysts looking 12 months ahead and seeing earnings rising - instead of falling - at companies making up the S&P 500 index. And he wants to see two consecutive months of rising earnings expectations. That would signal to portfolio managers that the economy is in the bottom phase and turning up, encouraging them to be fully invested, he says. The earnings outlook has had a great record of forecasting good and bad turns in the economy, Cripps says. The earnings expectations, for instance, switched from positive to negative for two months in a row in November and December of 2007, he says. The recession started that December. "That was a pretty good call," he says. So far, the expectation is for lower earnings a year from now, although last month's forecast wasn't as dim as it has been, Cripps says. That helped fuel the recent bump up in stock prices, he says. \ \ \ Meg VanDeWeghe, director

Brown Advisory

"One statistic doesn't tell you a story. You have to look at trends over time," VanDeWeghe says.

She's watching trends in consumer confidence and the stock market. Consumer confidence inched up in March and rose higher than expected in April, she says. "What we will want to see is consumer confidence translating into consumer spending and investing before we really know we are in an upturn." A stock market rebound often precedes an economic turnaround by several months, she says. You need signs besides rising prices to know that the rally has staying power. She sees some signs now: More stocks are advancing than declining. The technology sector, which often leads a market upturn, is leading now. Stocks didn't retreat recently despite negative earnings reports and the swine flu scare. And the price of gold, the refuge of nervous investors, has fallen off. "I currently am more confident with the equity market than I have been in the past year and a half," she says. \ \ \ Steven Bleiberg

Head of Legg Mason's

global asset allocation group

Among the indicators Bleiberg looks at is a monthly survey put out by the National Federation of Independent Business. The survey asks small businesses whether they are finding it harder or easier to get credit. "That has been trending in the wrong direction," he says. "More businesses are saying it's harder to get credit." Bleiberg keeps a finger on the pulse of small business, because "that's the engine of growth, as the saying goes. You need small businesses to be growing and providing a lot of jobs." If you're looking for a quick snapshot on the economy's health, Bleiberg recommends the monthly report from the Institute of Supply Management. It asks purchasing managers if they are ordering more materials for manufacturing and building. A number above 50 means the economy is expanding; while a figure in the high 40s indicates sideways movement, he says. And a number below that signals contraction. April's figure: 40.1. \ \ \ Denise Leish, financial adviser

Money Plans

Leish takes a two-pronged approach to figuring where the economy is headed. She looks at certain financial statistics. And then she checks in with a handful of clients working in key industries to find out what they are seeing firsthand.

Among the numbers she tracks is the Dow Jones Transportation Average index, made up of companies such as UPS, FedEx Corp. and the railways. "If the economy is doing well, you have to transport goods from point to point. When the economy is doing poorly, that index goes down," she says. The index is up 50 percent in the past two months.

Leish says she also regularly checks in with clients working in advertising, commercial real estate, auto sales and mortgage lending. What she has learned of late: Advertising sales have picked up. More people are taking out mortgages to buy homes. Vacancies at commercial properties have leveled off. And auto dealerships' showrooms have been filled with customers the past few weeks.

Leish says you can do your own economic sleuthing by asking friends, family and neighbors about layoffs or sales at their workplace. \ \ \ Stuart Hoffman, chief economist

PNC Financial Services Group

Hoffman watches the weekly jobless claims by unemployed workers seeking benefits for the first time. "If that could come down ... that indicates fewer people are losing jobs," he says. Unemployment claims have fallen off from a peak in mid-February, and the most recent report found that new applications for jobless benefits fell to the lowest level in 14 weeks. Still, they remain high, Hoffman says. April's unemployment rate rose to 8.9 percent, but the number of jobs lost is the smallest since October, he says. "The job market, while it hasn't hit bottom, is beginning to stabilize," Hoffman says. For the first time, he says, it feels as if we are more than halfway through the recessionary woods. If these trends continue, by the fourth quarter the number of people employed will be steady and the unemployment rate will stop climbing. "That could be a bellwether sign that the recession has finally hit bottom," he says.

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