

Foreseeing recovery

Will County economic experts expect a slow, yet promising return to a healthier economy

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ROMEOVILLE -- Crooner Tony Bennett's version of "The Best Is Yet To Come" played softly in the background as guests filtered out of the Lewis University fieldhouse on Thursday.



The Will County Center for Economic Development helped bring the the area CenterPoint Properties intermodal, which is under construction in Joliet. John Greuling (inset) says intermodal sites will help the county's economy recover.
(Sun-Times Media photos)

But the vintage song's optimistic lyrics were a sharp contrast to the sobering economic news delivered during the Will County Center for Economic Development's Annual Economic Forecast, which was hosted by the university.

The recession is technically over, but the recovery will be slower than most post-recession recoveries, said Joe Zidle, deputy director for Banc of America Securities -- Merrill Lynch Research Investment Committee in New York.

Lawrence Hill, professor and chair of the Department of Economics at Lewis, sees a glut of foreclosures continuing to weigh down the housing recovery until at least 2011.

And the country may never see the robust economic conditions and low unemployment that characterized the buildup boom that busted in mid-2008, said John Greuling, the CED's president and CEO.

The bottom line: Things are going to get better, but how quickly and how much better remains to be seen.

Recession roller coaster

"What you saw in 2008 after the fall of Lehman (Brothers) was an economy that basically collapsed," said Zidle, who is head of Global Wealth Management Investment Strategy for his company, too. "And you had almost all business come to a standstill."

The U.S. economy normally features the kinds of ups and downs found on a Kiddieland-type roller coaster, Hill said during a telephone interview with The Herald-News prior to the economic forecast event. But this recession was different, Hill said.

"What we got is a Cedar Point roller coaster," he said referring to the Ohio amusement park that bills itself as the roller coaster capital of the world. "You're going up lots of stories and then you're really dropping. ... After this huge dip, people are scared."

The housing bubble, which led to astronomical growth in Will County, was the high point of the roller coaster ride; the subsequent recession has been the low point characterized by high unemployment hovering around 10 percent and a record number of foreclosures.

Greuling said he's been watching economic conditions for 35 years and the recession that slammed the United States has been the wildest roller coaster ride he's ever seen.

"This one, has probably been the most severe by all accounts," he said, during Thursday's event.

Government intervention

Both Zidle and Hill said government intervention is what kept the United States out of a much worse economic situation and it's what will aid the recovery.

"In 2009 investors began to realize the government, having adopted a 'do whatever it takes' approach to the markets, really put a floor in and in fact this wasn't going to be as bad as the Great Depression," Zidle said.

Last year featured an unprecedented drop in the stock market, but also an unprecedented rally, Zidle said.

"From March of 2009 on, we had a rally in the stock market and we haven't seen a rally that strong since probably the 1930s."

Hill was supportive of stimulus efforts taken by the government to kick-start the economy. He was critical of President George Bush's pre-recession "hands off" approach to the economy.

"It's what got us in this mess," he said.

In contrast, President Barack Obama seems to be following the advice of 20th-century British economist John Maynard Keynes, who said governments have to intervene in recessions "or the economy goes down the tubes," Hill said. Hill expects Obama to come up with a jobs program in 2010 that will help the economy even more.

"We've got a good Keynesian government in place," he said.

Looking forward

Zidle said Merrill Lynch is forecasting 3.2 percent growth in U.S. Gross Domestic Product for 2010.

"That's a really weak recovery," he said.

Historically, the U.S. economy rebounds by 6 percent GDP growth after recessions, he explained. This recovery will be weak because, "The consumer will continue to be on their heels in 2010," he said.

Zidle also said inflation is expected to remain low, increasing only 2.5 percent in 2010. The government is flooding the country with money, but people are saving more, which will curb possible inflation, Zidle explained.

"The consumer will continue to eat and drink but not party," he said.

He also predicted: The Federal Reserve won't hike interest rates until the first quarter of 2011; gold prices will continue to increase; the U.S. dollar will remain weak compared to emerging market currencies; municipalities and commercial real estate market will continue to struggle; and taxes will increase (though maybe not until after the election cycle).

Hill expects job losses to stabilize midyear. The housing market seems to be stabilizing, but there might not be substantial improvements until 2011, he said.

"It's hit bottom," he said. "But it really hasn't started back up. Foreclosures continue to weigh the market down."

One of the most positive signs is an increase in the consumer confidence index, which is crucial to any recovery, he added. The index rose in both November and December.

"It (the economy) will steadily get better, but it's not going to be leaps and bounds," Hill said. "It's not going to be the way we'd like it to be, a fast train. "It's going to be a slow train."

Fighting for jobs

A slow recovery means Will County will have to fight tooth and nail to lure more jobs to the area, Greuling said.

"I've been calling it a jobs war," Greuling said. "We just can't sit on our location and the fact that we're part of the Chicago area."

The county's unemployment rate is around 10 percent and Greuling said he'd be happy to see it drop to 7-8 percent. The days of 5.5 percent unemployment may be over for a long time, he added.

"It's going to take a while," he said of the employment recovery.

But Will County's strong transportation system and its large inland port at the CenterPoint intermodal in Elwood should help, he added. The key will be to lure more high tech companies to Will County so it can export more than corn, Greuling said.

"Industrial and transportation sectors are going to lead the global recovery, and those are very strong areas for us."