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## Economists: No panic in 2012

Submitted by [The City Wire staff](#) on Wed, 01/25/2012 - 3:48pm

**Editor's note:** *Roby Brock, with our content partner Talk Business, wrote this report. He can be reached at [roby@talkbusiness.net](mailto:roby@talkbusiness.net)*



Economists at a northwest Arkansas business forecast predicted “modest expansion” for the state and national economies with little worry of a full-blown second recession.

“I think the time to panic was in the past,” said Paul Thomas, chief economist with Intel Corp.

“It’s not going to feel spectacular, but it’s better than what we’ve seen,” said Kathy Deck, Director of the Center for Business and Economic Research at the UA Walton College of Business.

Thomas and Deck were joined by Eugene Flood, executive vice president of Diversified Financial Services with TIAA-CREF, and Robert Hopkins, vice president and senior branch executive for the Little Rock branch of the Federal Reserve Bank. The forecast was held at the John Q. Hammons Center in Rogers.

Hopkins shared results from a recent Fed survey in Arkansas that outlined anecdotal evidence of economic events in the state. Business leaders conveyed hope for a “modest expansion” in 2012, but Hopkins warned that residential and commercial real estate weak loan demand was still troublesome for the state’s economy.

“Bankers in these communities around the state say they just aren’t seeing the demand, strong business plans, strong balance sheets,” said Hopkins.

Hopkins said the overall sentiment among business leaders is for “modest growth” towards the tail end of 2012. Thomas gave a world economic view. Highlights from his presentation included:

- It is “inevitable” that China’s GDP will surpass the U.S. He said that may be “bad for American egos” but it would happen based on population trends and wealth growth patterns.
- While he saw no immediate threat of a second recession, he warned it should not be considered a “double-dip” recession. “We’ve been in a recovery long enough that they shouldn’t be paired,” he said.
- The recession created a big split among baby boomers in the workforce. Half of them may have been “retired” by layoffs and not known it. The other half will work much longer to replace lost wealth, Thomas said.
- Technology adoption in the post-recession period has been strong worldwide. “It’s part of what’s driving world economic growth,” said Thomas who added that the rise of technology adoption has shown little distinction among richer and poorer countries.
- Flood predicted that U.S. economic growth in 2012 would land somewhere between 1.5% and 2.5%.

Eurozone worries will compound anxiety about growth, but in reality it will account for less than 1% drag on the U.S. economy, he said.

Flood also noted:

- In 2012, he expects consumers to be sluggish, banks defensive, and companies wary.
- He said the jobs landscape shift has been notable during and since the recession. New job growth in education, health care and trade industries require skills sets that are lacking in laid-off workers.



- Flood also said U.S. budget deficits had reached “a slippery slope,” as he pointed out that the U.S. debt-to-GDP ratio had exceeded 100%.

Deck’s presentation centered on Arkansas and northwest Arkansas. She said, “Labor force growth is the entire story.” In 2011, the state ended the year with a near net zero growth rate compared to 2010. She expected to see a net addition of “a couple hundred” jobs by the end of 2012, although Deck said northwest Arkansas would likely gain around 2,000 new jobs.

Other observations from Deck included:

- She expects the gap between the state and U.S. unemployment rate to narrow in 2012. “Don’t be surprised if Arkansas’ unemployment rate doesn’t fall as quickly as the rest of the country,” she warned.

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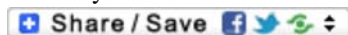
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- Arkansas’ unemployment rate was 7.7% in December 2011, while U.S. unemployment fell to 8.5%.
- Sector growth in manufacturing has been occurring in the U.S., but Deck said it has been the area of major job losses in Arkansas.
- Weaker consumer spending than in more robust years could more greatly affect northwest Arkansas with its heavy emphasis on trade and transportation jobs tied to companies like Walmart, Tyson Foods and J.B. Hunt.
- Professional and business services will be a key sector to watch for growth as it may reflect entrepreneurial and start-up growth.

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