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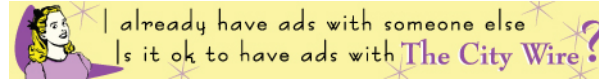


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Economist: Conditions are becoming 'less worse'

Submitted by **The City Wire staff** on Tue, 10/20/2009 - 2:29pm.

Kathy Deck was doing her best to be optimistic in front of about 80 customers and employees of Arvest Bank's Fort Smith region. But it was easy to see her struggle to maintain the optimism when explaining past, present and potential economic trends.

The luncheon group gathered Tuesday (Oct. 20) at the Town Club in downtown Fort Smith to hear Deck speak about economic trends in 2010 and the remainder of 2009. Deck, an economist and director of the College of Business and Economic Research and the University of Arkansas, prefaced her remarks by qualifying her optimism.

"I'm slightly, and I mean every so slightly, more optimistic than I was in April," Deck said, adding that she believes the U.S. economy is slowly "stepping back from the precipice."



Kathy Deck, an economist and director of the College of Business and Economic Research and the University of Arkansas, begins her presentation on economic conditions.

Later in her presentation, Deck further qualified her optimism when noting, "Things aren't really better, they're just less worse."

The national recession, which officially began in December 2007, may have the second quarter of 2009 as the end point, Deck said.

Why is she "ever so slightly optimistic?" Two

reasons.

First, the huge declines in business inventories nationwide have reached a bottom, and restoring the depleted inventories will require a return of production — a return of manufacturing. She said the recent news of a **possible recall of 150 workers** to Whirlpool's Fort Smith plant may be a sign of that returning production.

Another reason for optimism is a rise in the Purchasing Managers Index. The index tracks future sentiment among those who make purchasing decisions for their corporations. But even the optimism has a caveat.

"That (inventory decline and index increase) is the mechanism that will cause economic output to rise... but worldwide demand will not soon return to the levels we saw in the recent boom times," Deck predicted.

Consumers are the primary reason for a slow economic recovery. The consumer is not yet willing to spend, Deck said, because most consumers are "a little antsy. They're not too sure about the future" in terms of job security and investment security. Deck, for example, solicited muted — if not sarcastic — laughter from the luncheon group when asking if they believed the recent gains in the stock markets "are here to stay."

The problem with low consumer sentiment is that it "manifests itself in retail sales," Deck said, meaning that muted sales translate into muted production, and that translates into a slow recovery for the Fort Smith metro area.

Good news for the Fort Smith metro area is that its jobless figures have been less severe, in terms of percentages, when compared to Arkansas at the U.S. The bad news is that the Fort Smith



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metro area has the highest unemployment rate among Arkansas' key metro areas.

The Fort Smith metro **unemployment rate during August** fell to 7.1%, a welcome decline from the 7.7% posted in July and the 7.8% in June. However, the rate is higher than the 4.6% unemployment rate of August 2008. Also, the number of unemployed in the Fort Smith area was 10,006 in August, up 55.4% over the 6,435 unemployed in August 2008.

Deck said she subscribes to the talk of the "new normal," in which unemployment rates and other economic indicators will improve, but not to the levels seen just a few years ago.

"I think 2010 is going to look a lot like right now," Deck said.

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Less worse

Submitted by **RAZORBACK HOUND** on Tue, 10/20/2009 - 5:03pm.

Kathy Deck tells it like it is. A question I would have for her would be how can consumers spend more when banks won't lend more? Thank you.

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