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Tuesday, February 09, 2010 - 12:39:40 PM

## UA ECONOMIST: 'TWO STEPS FORWARD, ONE STEP BACK' IN 2010

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**Kathy Deck**, economist and director at the **UA Center for Business and Economic Research**, says that while the recession may be over, it won't feel like it to most Arkansans and the rest of America.

"I definitely think that we are done with our 'technical' recession," **Deck** said. "The bad news is that the recovery isn't going to feel a lot like recovery. We're going to kind of swim along with a series of good numbers and a series of bad outcomes, and really I think 2010 is going to be the year of a couple of steps forward and then one step backward."

**Deck** was a guest on *Talk Business* this week on the heels of her quarterly economic forecast given last Friday.

The economy is "chugging along," she says, notably in the area of manufacturing, which was hard hit during the past 18 months.

"Basically, we've bought down everything that was made before [the recession] and so if we're going to continue to buy and sell things, we've got to produce more things at this point in time," she said.

But buying and selling remain trouble spots in the economy, particularly in Arkansas where sales tax collections – a sign of consumer spending – remain problematic at the state and local levels.

"Consumers have been being very, very cautious," **Deck** noted. "I'm not sure that consumers are all that confident yet that their job is certain to be there tomorrow, that their stock portfolios and their housing values are going to be increasing in the near term, so you're still seeing consumers being cautious."

**Deck** addressed job security and the housing market in greater detail.

"When you look at unemployment numbers, the key thing to be looking for is job creation," said **Deck**. She contends that there have been job gains during the recession in health care, education and government.

"Actually, leisure and hospitality has held up well. And of course, with the Fayetteville Shale, we see the natural resources doing okay," **Deck** said. She wants to see employment numbers improve in the wholesale and retail trade areas, as well as in trucking to feel more confident that a larger recovery is in the works.

On the housing front, **Deck** argues that late 2009's resurgence in home sales was certainly welcome, but the real estate market is far from fully recovered.

"I think it's a little early to call it a turning of the corner. It was great to see a couple of months of good numbers," she said, noting attractive low mortgage rates and a first-time homebuyer tax credit as factors for the good fourth quarter.

"As the federal government gets out of the business of buying back mortgage-backed securities, we're likely to see those mortgage rates creep up a little bit. And that's going to be a significant headwind for the housing market not just nationally, but also here in Arkansas," **Deck** warned.

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