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Economic Forecast Breakfast Predicts Slow Economic Growth, Hope in Howard County, for 2012

The national recession has officially ended, but recovery here in Maryland continues to be halting, especially in terms of jobs. That means a mixed forecast for businesses for the coming year.

Economist Anirban Basu, CEO of Sage Policy Group, shared this message with more than 200 members of the business community at the Chamber's annual Economic Forecast Breakfast on Friday, sponsored by BB&T banking services company.

"The recession has been over for quite some time based on broad measures of U.S. productivity," Basu said. "But I am not suggesting to anyone that we have recovered. We have not recovered in terms of financial markets, we have not recovered in terms of jobs and we have not recovered in terms of industrial production."

Looking ahead, Basu said the U.S. economy is in motion, even if it is slow. He noted that several organizations are predicting an average of 2 percent growth in 2012 and in his opinion, "that's about right."

Basu said he expects to see a softening in spending early next year as people realize they overspent during the holiday season, and he said the housing market will stay in its own recession through 2012 and into 2013.

But, he said, with the lowest unemployment rate in Maryland and moderate housing sales, "Howard County is the least worst, and least worst is the new excellent."

"Anirban always brings sharp insight and substantial research to his presentations, as well as a dose of humor to keep the audience engaged," said Pam Klahr, the Chamber's President and CEO. "It is a valuable opportunity to understand the big picture and see our county's place in it."

The Chamber also released the results of a survey of its members asking about their plans in 2012.

Compared to a survey conducted at the end of 2010, more local businesses were expecting increased revenues (80 percent this year compared to 51 percent last year) and to increase staff (nearly 53 percent this year compared to 34 percent last year).

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Eric Lewis, Vice President of breakfast sponsor BB&T, shared the results of the Chamber's survey before welcoming Anirban Basu. Photo by Mike Chasman, The Umbrella Syndicate.

The 89 respondents also listed some of their biggest concerns. Taxes and government regulations were popular responses, along with a need to hire and keep qualified workers, and concern over the high unemployment rate and its effect on the broader economy.

Basu laid out the economic picture over the past year, when his own prediction of 2.7 percent growth was defeated by high oil and food prices, the tsunami in Japan, and the wrangling in Congress over the debt ceiling.

Growth will likely be between 1.4 and 1.8 percent for 2011, he said, noting that much of the enduring soft patch in economic growth in 2011 was made in Washington, D.C.

One of the most problematic areas has been the slow growth of jobs. Maryland added less than 10,000 jobs between October 2010 and October 2011 he said, which was one-third the rate of the country as a whole. Regionally, when the Washington Metro area is not adding jobs, it fails to fuel the housing market, which is an important engine for local prosperity.

Howard County currently has the lowest unemployment rate in the state at 7.2 percent, but the number is still high compared to the years prior to 2007, when the rate was below 4 percent.



Speaker Anirban Basu (left), Board Member Greg Lowe, and other guests enjoyed time to network before the breakfast began. Photo by Mike Chasman, The Umbrella Syndicate.

Basu said Maryland’s unemployment rate should be lower than the rate in Virginia (currently 6.4 percent) when you consider the education and skill level of Maryland’s population. “I attribute that to the business climate [in Maryland]” he said. But he added, while businesses are concerned about that issue, they do not do a good job of defining specific problems for lawmakers.

In response to questions from the audience, Basu said that one key to improving the economy is to invest in infrastructure. He noted that the region needs high speed rail, improved Internet speed and a world class aircraft control system.

He also said, in response to another question, that the addition of U.S. Cyber Command to Fort Meade is a positive development for the region, because counterterrorism is one area the federal government can’t cut.

“I think the impact of that will be massive,” he said.

Results of the Chamber’s 2011 Economic Forecast Survey are available at www.howardchamber.com along with slides from Basu’s presentation.

