

Memphis Business Journal

Tuesday, May 5, 2009

Bernanke sees gradual economic recovery

Memphis Business Journal - by [Jeff Clabaugh](#) of the Washington Business Journal

Federal Reserve Board Chairman Ben Bernanke sees the bottoming out of the housing market slump and increasing spending by consumers as signs the U.S. economy will be on the mend later this year, although he forecasts the recovery will be gradual.

In testimony before the congressional Joint Economic Committee Tuesday, Bernanke also warned another jolt to the banking system will stall any recovery.

"We continue to expect economic activity to bottom out, then to turn up later this year," Bernanke said. "Key elements of this forecast are our assessments that the housing market is beginning to stabilize and that the sharp inventory liquidation that has been in progress will slow over the next few quarters."

The forecast assumes a continued gradual repair of the country's financial system, and a relapse there could cause a recovery to stall, he said.

While a recovery is now expected to begin, the Fed's forecast cautions that the rate of growth is likely to remain below its longer-run potential for awhile. Businesses will likely put off hiring, meaning unemployment will remain high even after economic growth resumes.

Bernanke also believes inflation will remain low for some time.

A report Tuesday from the Institute for Supply Management showed U.S. service industries, which make up 90 percent of the economy, contracted at the slowest pace in six months in April, seen as another sign the recession is nearing an end.