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SEPTEMBER 16, 2009

Bernanke: Recession 'Likely Over'

Fed Chief Doesn't Expect Many New Jobs to Appear Soon; Retail Sales Climb 2.7%

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By SARA MURRAY and ANN ZIMMERMAN

Federal Reserve Chairman Ben Bernanke said Tuesday that the recession was "very likely over," as consumers showed some of the first tangible signs of spending again.

Mr. Bernanke, who had become cautiously more upbeat in recent weeks amid signs of third-quarter growth, said for the first time that forecasters agree "at this point that we are in a recovery."



Getty Images

Fed Chairman Ben Bernanke answers a question at a Brookings Institution forum.

The rebound, he added, would likely be so moderate it wouldn't produce many jobs.

"Even though from a technical perspective the recession is very likely over at this point, it is still going to feel like a very weak economy for some time as many people still find their job security and their employment status is not what they wish it was," he said.

His remarks, made after a speech at the Brookings Institution in Washington to mark the anniversary of the collapse of Lehman Brothers, came just after the Commerce

Department reported retail sales climbed 2.7% in August after falling 0.2% in July.

Much of the increase was auto-related from the "cash for clunkers" rebate program, as well as rising energy prices. But gains were also broad-based, reflecting discretionary spending on restaurants, which are often more closely tied to the economy's health.

To be sure, consumers -- and the economy at large -- are coming back from very low levels. Credit conditions remain tight, and the economy will likely grow only moderately in 2010, Mr. Bernanke said, leading to little improvement in the job market and crimping consumer spending.

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Still, with manufacturing showing signs of growth, and stabilization emerging in the housing and retail sectors, consumers may finally be showing signs of a turnaround. Auto and parts sales jumped 10.6% in

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August from the previous month, as the government program allowing consumers to trade in old cars for more fuel-efficient models spurred sales. Excluding autos, sales rose 1.1%.

Consumers proved more willing to spend on nonessential items last month, too, such as apparel, sporting goods, electronics and dining out. Restaurants rose a seasonally adjusted 0.3% from July -- not an impressive number but the category's largest increase in six months. Sporting and entertainment goods climbed 2.3%, and general-merchandise store sales were up 1.6%.

Alan Levenson, T. Rowe Price Associates' chief economist, said deep discounting, which could show up in the Consumer Price Index being released Wednesday, may have helped. "That was part of what brought people out to the stores," he said.

Driven Up | U.S. retail sales in August

Kind of business	Change from July	Change from a year earlier
Motor-vehicle and parts dealers	10.6%	-10%
Gasoline stations	5.1	-26.7
Clothing and accessories	2.4	-5.1
Department stores*	2.4	-4.7
Sporting goods, entertainment	2.3	-0.4
General merchandise	1.6	-0.7
Electronics, appliances	1.1	-10.4
Food and beverages	0.5	-1.1
Restaurants and bars	0.3	0.7
Building materials, garden supplies	-1.2	-13.6
Furniture and furnishings	-1.6	-12.8

*Excluding leased departments
Note: Data are seasonally adjusted

Source: Commerce Department

Indeed, a recent survey by CIT Group Inc. of small and medium-sized companies found that about two-thirds of responding retailers foresee offering greater discounts this Christmas than in 2008. They also expect to stock less inventory, reflecting the 1% drop in business inventories in July from the prior month, to a seasonally adjusted \$1.33 trillion, the Commerce Department reported Tuesday.

Despite the first gain in underlying retail sales in six months and a lift in positive consumer sentiment, retail sales are still 5.3% lower than a year earlier. And retail executives maintained a sober outlook for the coming months, according to a recent survey by BDO Seidman LLP, an accounting and consulting firm. Half of the 100 chief financial officers at leading U.S. retailers anticipate that total sales, as well as sales at stores open at least a year, an important measure of retail health, will decrease in the second half of 2009, compared with a year ago.

Meanwhile, the producer price index for finished goods increased 1.7% on a seasonally adjusted basis in August as a result of rising energy prices, the Labor Department said Tuesday. Excluding food and energy, prices rose 0.2% from July.

—Jon Hilsenrath and Maya Jackson Randall contributed to this article.

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