

Forecast: Better growth by June

You wouldn't know it by looking at the stock market, but many experts predict the U.S. economy will pick up by mid-2009. Tight credit remains worrisome, but a National Association for Business Economics survey of 48 economists from corporate America, universities and private groups cited "lower oil prices, a bottoming out in home prices, and a better functioning of financial markets." Why they see better times by summer...

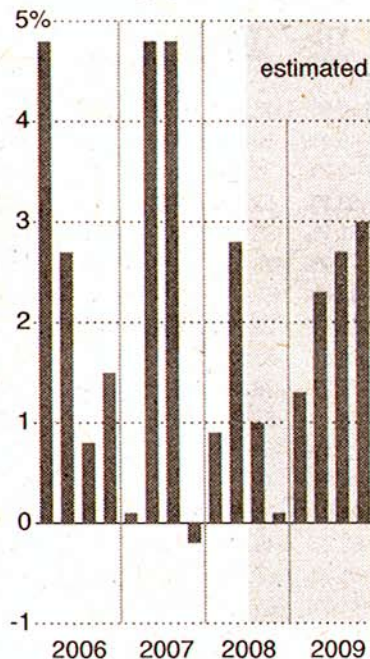
Inflation is easing...

Cooling global growth prospects proved to be the best medicine for surging materials prices. Earlier in the year, crude oil, for example, climbed to new records, causing headaches for consumers, but demand worries have caused prices to fall 36 percent from their July 11 highs. Lower commodity prices help corporate profit margins by reducing costs.

...allowing for rate cuts...

Lower interest rates can contribute to higher prices, but with worries about slow growth trumping inflation, global central banks moved Wednesday to slash rates. The Federal Reserve cut its benchmark to 1.5 percent from 2 percent, and Global Insight economist Brian Bethune anticipates another cut to 1 percent in coming weeks. Banks in Europe, England, China, Canada, Sweden and Switzerland also reduced rates, while Australia made a cut a day earlier. The simultaneous rate reductions underscore concerns about constricted credit markets. Lower rates can help stimulate economic growth by encouraging lending.

GDP change, annualized



...but housing is shaky.

The housing slump fueled the financial crisis. Based on July's Standard & Poor's/Case-Shiller 20-city housing index, prices have tumbled 16.3 percent from their level a year ago. Thomas H. Forester of Forester Value fund (FVALX) says they could fall another 20 percent or more. But JPMorgan's Joseph Lupton says the market will stabilize and "promote a recovery in global growth into mid-2009." Economists in the NABE survey expect prices to decline less sharply in 2009, with a trough for home sales this year.