Where is the Light at the End of the Tunnel?

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We've made it through March, the 15th month of this recession. If the recession lasts into May, it will be the longest one since the Great Depression. Is anyone having fun yet?

By this point in a typical recession, economists start noticing glimmers of light at the end of the tunnel, as some economic indicators begin to turn positive. One of the strongest indications is when the number of initial claims for unemployment insurance starts declining. In addition, manufacturing begins to perk up, housing starts begin to rise and the index of consumer confidence shows signs of life.

But so far, very little is glimmering. Weekly unemployment claims have fallen slightly since late February, but they're still well above 600,000 and higher than at any time since 1982. Also in February, consumer confidence hit another all-time low and industrial production fell further.

And housing? I don't think anyone expects that industry to lead us out of this recession. Both existing-home sales and housing starts rose in February, but the former was largely due to distressed sales and the latter is still only about a quarter of what it was four years ago.

We've seen declines in payrolls, factory orders and service-sector activity. The index of leading economic indicators dropped in February, which suggests that the good news is still at least a few months away.
And unemployment continues to rise. The national rate hit a seasonally adjusted 8.1 percent in February, the highest it's been since 1983. In North Carolina, the rate rose to an alarming 10.3 percent in January, but some of that was the result of seasonal factors: the adjusted rate was "only" 9.7 percent.

The state doesn't adjust local rates, but my colleague Don Jud does, and he calculated the seasonally adjusted January rate in the Triad as 8.7 percent, up from 5 percent a year ago.

The only good news we've seen has been sporadic or misleading. There were upward blips in consumer spending and personal income, but it's too soon to place much weight on those numbers. Retail sales were down less than expected in February, which is what passes as good news these days. But hey, furniture sales rose in February for the first time since last May.

Why is good news so rare this late in the recession? In part, it's because of the official dating of this recession. What we're experiencing is really a recession within-a-recession. From December 2007 until last fall, we had a mild downturn, as employment declined but most other indicators held steady. Then the financial crisis slammed the economy with a vengeance, and that's when things got really bad.

The financial crisis began in earnest after the investment bank Lehman Brothers failed in mid-September. Using that date, we're only about six months into the deep recession that built on and exacerbated the mild recession then under way. Perhaps we shouldn't expect to be over the hump yet in this recession-within-a-recession.

We haven't seen this combination of deep recession and financial crisis since the 1930s. Even though the economic pain of this recession won't approach that of the Great Depression, our situation is still quite serious. But with luck, the combination of fiscal stimulus, financial stabilization and the basic resiliency of the American economy will make it possible for more glimmers of light to start shining our way.