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'Yes, we are in a recession' -- just ask your neighbor

Economists are finally starting to figure out what we working stiffs have known for a while: The recession is already here.

By Scott Andron

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Chuck and Leslie Starr don't need an economist to decide for them whether we're in a recession.

The Pompano Beach couple can feel it in the prices they pay at the gas pump and the higher charges for everything from homeowners insurance to electricity. They can see it in the dwindling number of overtime hours available for Chuck to work as a master carpenter, and in the financial struggles of friends and coworkers.

"We're hanging around by the fingernails, and we're lucky to be here," Chuck said. "I have friends at work who are losing their houses."

For months, many economists believed neither South Florida nor the nation was in a recession or likely to enter one soon.

But in the last few weeks, those optimistic assessments have collided with new statistics showing record-high oil prices and vanishing jobs amid the escalating real estate meltdown. The experts have begun to accept what families like the Starrs have known for a while: Times are tough.

- Nearly 120,000 South Floridians were unemployed in January, up nearly 20 percent from a year earlier.
- South Florida gas prices are approaching \$3.50 a gallon, up nearly \$1 from this time last year.
- Nearly 7,500 homes were foreclosed upon in Miami-Dade and Broward counties in February, a whopping 150 percent increase from the same month in 2007.

'YES, WE ARE'

"The short answer is, 'Yes, we are in a recession,' " said Mark Vitner, an economist with Wachovia, who was saying as recently as last month that the nation might yet dodge the bullet.

But now, Vitner said: "We have made that call. On a GDP basis, the declines we are looking for will be very modest. But from a man-in-the-street perspective, the slowdown is much worse than the GDP numbers would show."

The reason: Income growth is sluggish at best, and rising energy prices are hiking the cost not just of gas but of everything moved by truck to your local retailer.

The result, said Vitner: "Consumers are spending a record proportion of their income on necessities. We're working for the man."

According to Wachovia's calculations, consumers are spending an unheard-of 57 percent of their money on necessities, Vitner said.

But that's just an average. Wage-earners below the average are hit particularly hard because their incomes typically allow little or no margin for error. An unexpected illness or even the recent spike in consumer prices can mean the difference between barely making it and not making it.

Cloreta Morgan, a certified nurse's aide, sees the recession in the cost of eggs, which has rocketed from 69 cents to \$2 a dozen in recent months.

Because of the gas prices, Morgan says, some people are restricting their driving to going to work and back. Trips to the grocery store or church are being kept to a bare minimum.

"People are not even going out because of the gas now," said Morgan, who lives in West Park and works in Miami.

Inflation on consumer goods in South Florida hit 5.3 percent in February, up from a mere 3 percent a year earlier.

So if ordinary residents could detect a recession in egg prices and diminished trips, why did economists take so long to figure it out?

Sean Snaith, an economist at the University of Central Florida, said he's still not sure whether we're in a recession, but that it might not matter much to the average wage-earner.

Whether economic growth has been pitifully slow or whether the economy has actually been shrinking, the feel of the situation is much the same, Snaith said.

"For households and people and for you and I, this is the environment, and it's very stagnant," he said. "You can be unconscious or in a coma; either way, you're still in a bad situation."

Technically speaking, a recession normally is defined as two consecutive quarters of economic shrinkage. By that standard, economists can never definitively declare a recession until after the fact.

Nevertheless, the authorities have begun offering help. To encourage the kind of spending that could help pump up the economy, The Federal Reserve has cut interest rates six times since September and Congress has decided to offer tax rebates in the spring.

LOOKING TO SAVE

Meanwhile, Chuck and Leslie Starr are looking for ways to save money. They've gotten rid of their above-ground pool, installed more efficient indoor light bulbs, and replaced outdoor lights with solar-powered units.

They saved \$100 a month by dropping their landline telephone service, and have been thinking about dropping Internet service in their 1,250-square-foot home in Pompano Beach.

Chuck is even installing a new front door -- which he found on sale for only \$60 -- to reduce the amount of cool air escaping from the house.

And Leslie, a librarian at Deerfield Beach Middle School, has been looking for a second job.

"We're getting squeezed," she said. "We keep cutting back to economize, but everything keeps increasing. I didn't expect to make a fortune going into teaching, but I expected to live a middle-class life. I don't think that's too much to expect."

South Florida economy by the numbers

14,180: Number of home foreclosures in Miami-Dade and Broward in January and February

4.2%: Miami-Fort Lauderdale unemployment rate in January, up from 3.6% a year ago

5.3%: South Florida's inflation rate, which outpaces the national rate of 4%

\$60.12: The cost of 18 gallons of gas to fill the tank of a typical minivan, up from \$46.62 a year ago.

\$1.99: Price of a dozen grade A large eggs just in time for Easter. Egg prices are up an average of 60 percent from a year ago.