

The New York Times

From the Mall to the Docks, Signs of Rebound

By [PETER S. GOODMAN](#)

April 25, 2010

PORTLAND, Ore. — The docks are humming again at this sprawling Pacific port, with clouds of golden dust billowing off the piles of grain spilling into the bellies of giant tankers.

“Things are looking up,” said Dan Broadie, a longshoreman. No longer killing time at the union hall while waiting for work, instead he is guiding a mechanized spout pouring 44,000 tons of wheat into the Arion SB, bound for the Philippines.

At malls from New Jersey to California, shoppers are snapping up electronics and furniture, as fears of joblessness yield to exuberance over rising stock prices. Tractor trailers and railroad cars haul swelling quantities of goods through transportation corridors, generating paychecks for truckers and repair crews.

On the factory floor, production is expanding, a point underscored by government data released Friday showing a hefty increase in March for orders of long-lasting manufactured items. In apartment towers and on cul-de-sacs, sales of new homes surged in March, climbing by 27 percent, amplifying hopes that a wrenching real estate disaster may finally be releasing its grip on the national economy.

After the worst downturn since [the Great Depression](#), signs of recovery are mounting — albeit tinged with ambiguity. Despite worries that American consumers might hunker down for years — spooked by debt, lost savings and unemployment — thriftiness has given way to the outlines of a new shopping spree: households are replacing cars, upgrading home furnishings and amassing gadgets.

Many economists estimate that consumer spending — which makes up some 70 percent of American economic activity — swelled by 4 percent during the first three months of the year, more than the double the pace once anticipated. Some have nudged upward their estimates for economic growth to more than 3 percent this year.

“Consumers are showing extraordinary resilience,” said **Bernard Baumohl**, chief global economist at the Economic Outlook Group. “There’s a lot of pent-up demand out there that is now being unleashed. The whole supply chain system is now being revitalized.”

While few dispute signs of recovery across much of the economy, significant debate remains on how robust and sustained it will be. The lingering effects of the [financial crisis](#) have some economists envisioning a long stretch of sluggish growth.

But recent months have delivered a stream of news bolstering the notion of a more vigorous recovery. Technology companies have racked up substantial sales. After a decade of painful decline, manufacturing is tentatively adding jobs. Retail sales increased by 9.1 percent in March at established stores compared with a year earlier, according to Thomson Reuters, marking the seventh consecutive month of growth. Exports swelled in the first two months of the year by nearly 15 percent compared with a year earlier, according to the Commerce Department.

Still, much of the improvement appears the result of the nearly \$800 billion government stimulus program. As that package is largely exhausted late this year, further expansion may hinge on whether consumers keep spending. That probably depends on the job market, which remains weak.

“The recovery is under way, and it’s better than expected, but it hasn’t become self-sustaining because the job market hasn’t developed yet,” said Mark Zandi, chief economist at [Moody’s Economy.com](#). “I don’t think we’re there yet.”

In a sign of the anxieties still gnawing at households, the [University of Michigan](#) Consumer Sentiment Index this month plunged to a preliminary level of 69.5 compared with 73.6 in March.

Still, even that number represented a substantial gain over the record low of 55.3 reached in November 2008. And many economists dismiss such surveys as indicative of what people think, as opposed to what they do.

What they are doing increasingly is shopping.

“I’m certainly interested in spending now that the stock market seems so relaxed,” said Dan Schrenk, an information technology consultant, as he stood outside a [Best Buy](#) store in the Portland suburb of Beaverton.

Last year, Mr. Schrenk’s income declined as local companies put off servicing computer systems. He and his wife cut back on dinners out and purchases.

But in recent weeks, Mr. Schrenk’s stock portfolio has expanded. He has picked up five new clients.

“I’m feeling very optimistic,” he said. “People are just far more interested in spending money.”

So, there he was, shopping for an [iPad](#).

On the other side of the country, at the Garden State Plaza mall in Paramus, N.J., Marie Bauer, who sells clothing for a living, was feeling similarly emboldened.

“I’m working more now,” she said. “I bought myself a watch.”

As John D. Morris, a retail analyst with BMO Capital Markets, wandered past stores like Gap and J. Crew on his weekly “mall check,” he spotted large numbers of women 25 to 45 years of age — prime earning years.

“The mainstay of the mall is back,” he said. “That’s your signal that we’re in a more meaningful recovery with staying power.”

A year ago, [Columbia Sportswear](#), the Portland-based apparel brand, was turning away some retail customers whose finances seemed worrisome. Now, Columbia has one of its largest order backlogs.

“People saw that the world didn’t come to an end,” said Timothy P. Boyle, Columbia’s president and chief executive. “Maybe they just said, ‘Hey, I can at least spend a little bit of money.’ ”

Spending power has been enhanced by a monumental reduction in household debt, which has shrunk by about \$600 billion since the fall of 2008, according to [Equifax](#) credit data analyzed by Economy.com. That amounts to about \$6,300 a household.

“Household deleveraging is clearing the decks for better consumer spending going forward,” said Mr. Zandi. Still, some economists note that many consumers are reaching into savings to finance spending, suggesting consumption could run out of fuel.

“Look at employment and income,” said Brian Bethune, chief United States financial economist at the economic analysis firm, IHS Global Insight. “It’s glacial. If we don’t get strong growth in employment and income, we’re really just building this up as a house of cards.”

The American savings rate climbed during the [recession](#) but has recently fallen. Among households in the top fifth of American incomes — those earning \$98,000 a year and up — the savings rate dropped to 2 percent of income in the first half of 2007 and then spiked above 14 percent by the middle of 2008, according to an analysis of Federal Reserve data by Economy.com. By the end of last year, the savings rate of this group had slipped back to 3.5 percent.

Since the end of World War II, the first year after a recession tends to feature growth at roughly twice the pace of the decline during the downturn, implying a current pace exceeding 7 percent. Yet even optimistic economists assume the economy is growing at perhaps half that rate.

“I keep calling it a half-speed recovery, not the full-speed-ahead recovery that we typically get after deep, prolonged recessions,” said Stuart Hoffman, chief economist at [PNC Financial Services Group](#) in Pittsburgh.

But at a Porsche dealership in downtown Los Angeles, the sales manager, Victor Ghassemi, has seen sales rise by about 5 percent in recent weeks, a trend he attributes to rising stock portfolios.

“People get tired of holding on to their money, or just sitting at home and not doing anything,” he said. “People love to shop. And you take that privilege away from somebody, it lasts about a year. Eventually, people want to come back. They want to buy new merchandise, a new product, to make them feel really good about themselves.”

The key question is whether this burst of consumption will prompt businesses to hire, adding paychecks needed to amplify economic growth and replace the eight million net jobs lost in the course of the recession.

Optimists suggest this is already unfolding, pointing to the addition of 162,000 net jobs in March, the biggest surge of hiring in over two years. In this view, job growth amounts to a corrective after excessive layoffs during the worst of the crisis.

“You didn’t fire people because you had a judicious plan about how to run your company,” said Robert Barbera, chief economist at the research and trading firm ITG. “You fired pell-mell, because you were afraid you were going to lose access to credit.”

Now, he argues, companies are guided by a new anxiety that demands hiring: fear of missing out on the profits of fresh growth.

Still to come, he added, is a wave of spending from American businesses.

“They are awash in cash,” Mr. Barbera said. “They’re in a position to step up spending across the board.”

Technology companies are already benefiting from strong consumer growth. Sales of PCs rose more than 5 percent last year, trumping analysts’ predictions of double-digit declines.

This month, [Intel](#), the world’s largest chip maker, reported its highest first-quarter revenue in history. [Google](#) added about 800 jobs over the first three months of this year, and [Amazon](#) has added 1,800. Intel plans to hire 1,000 to 2,000 employees this year.

Silicon Valley is already cashing in on the return of Wall Street, as trading houses fold profits into new high-speed computer systems aimed at securing a competitive edge.

Global trade holds promise. At the Port of Portland — a major shipping point for commodities harvested as far east as the Great Plains — the tonnage of goods swelled by 42 percent during the first three months of the year compared with a year earlier. Minerals like soda ash — an important industrial ingredient to make glass and detergent — increased by 93 percent.

Activity here and at ports along the Pacific coast is generating business through related industries. Rail freight traffic was up nearly 8 percent in March from a year earlier, according to the Association of American Railroads. That has bolstered revenue for Greenbrier, a Portland-based maker of rail cars that was hard hit during the recession.

At Diversified Services Inc., a truck repair business in Mira Loma, Calif., general manager Dave Pilarcik is contemplating hiring, as customers put their fleets back on the road.

“For the first time in a long time,” he said, “I’ve seen a little bit more movement.”

Stephanie Rosenbloom contributed reporting from Paramus, N.J., Ashlee Vance from San Francisco, and Michael Parrish from Los Angeles.