

ONLINE

For more business news, stocks and mutual funds information, go to StatesmanJournal.com.

Business editor: Don Currie (503) 399-6677, dcurrie@StatesmanJournal.com

BUSINESS**Economists temper forecast****Experts cite higher energy prices as one deterrent to recovery**

By **PAUL DAVIDSON AND BARBARA HANSEN**

USA Today

Nearly eight in 10 economists say they're less optimistic about the nation's economic outlook this year than they were three months ago and most call high energy prices the biggest threat to the recovery, according to a USA Today survey.

The good news: Despite a less-ebullient view, the economists have not changed their forecasts for significantly stronger job growth in 2011.

They expect the economy to expand 2.9 percent this year, about the same as 2010, down from their median forecast of 3.2 percent in January, according to the survey of 45 top economists conducted April 15-20. That moderate growth is far less than the 5 percent to 7 percent surges that followed previous steep downturns.

"We've hit an airpocket (but) we're still in a solid takeoff," says Chris Varvares, president of Macroeconomic Advisers.

Most of the 38 economists who reduced their estimates pointed to higher oil and gasoline prices primarily, as well as rising food and other commodity costs. Nationwide, regular unleaded averaged \$3.85 on Friday, up about 75 cents since early January. The economists' median forecast through mid-2012 shows U.S. oil prices staying just above \$100.

Higher gas prices are offsetting Congress' sharp cut in Americans' 2011 payroll taxes that helped prompt many economists to brighten their outlook early this year. The tax relief "will be going into our gas tank," says Mark Zandi, chief economist of Moody's Analytics.

Economic fallout from the Japanese earthquake, tsunami and lingering nuclear crisis also led some economists to trim growth estimates. The disaster is disrupting supplies for U.S. manufacturers and as well as

some U.S. exports.

The latest economic headwinds have added to existing ones, including state and local layoffs, falling home prices and the end of the federal government's economic stimulus. While factory output and retail sales remain strong, consumer confidence measures have fallen.

Still, the economists estimate employers will add about 200,000 jobs a month the rest of this year, which is about what they expected three months ago.

That's more than last year's average 78,000 monthly additions but less than the 300,000 to 400,000 needed to quickly lower unemployment.

The economists estimate the nation's 8.8 percent jobless rate will fall to 8.5 percent by year's end.

Although the economists expect higher food and gasoline prices to push up inflation markedly this year, 93 percent expect the Federal Reserve to complete its \$600 billion in Treasury purchases by June to keep long-term interest rates low.

MEASURE: HB 3632
EXHIBIT: C
HOUSE REVENUE COMMITTEE
DATE: 1/25/2011 PAGES: 1
SUBMITTED BY: REP. CLIFF BENTZ