

# Federal Reserve Bank VP makes economic forecast at African-American Chamber PowerBreakfast

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By Christian Morrow



**THE ECONOMIC FORECAST**—Federal Reserve Bank of Cleveland Vice President and Senior Regional Officer Guhan Venkatu lays out the Fed’s prediction of the national and regional economy during the June 20 African-American Chamber of Commerce PowerBreakfast meeting. ([Photo](#) by Christian Morrow)

Though he’s only been the Vice President and Senior Regional Officer for the Federal Reserve Bank of Cleveland for nine months, Guhan Venkatu has been an analyst with the Fed for 19 years. And in all that time he’s learned one thing about economic predictions.

“Economic forecasters exist only to make astrologers look good,” he said.

With that caveat, which he attributed to John Kenneth Galbraith, Vankatu presented the Fed’s current thinking on the national and the regional [economies](#) during the African American Chamber of Commerce’ June 20 PowerBreakfast meeting.

On the bright side, he said, [employment](#) has just passed the pre-recession peak. So technically, the recession is over. The recovery, however both nationally and regionally is weak.

The nation has recovered all the [jobs](#) lost following the 2007 economic crash, but the rate of recover for this recession is about half of the normal average of more than 4 percent. All the recessions going back to the 1970s featured a strong rebound.

“This one, however, has been around 2 percent and is currently limping along toward 3 percent,” he said. “That said, the economy is still adding jobs at about 217,000 per month, slightly above the 200,000 average.”

Though the Pittsburgh region never hit the depths other parts of the country did during the great recession, and has consistently had lower [unemployment](#) figures, on both scales, he said, the recovery has slowed, stalled or even reversed itself depending on what is being measured.

Venkatu said one reason for the low activity is that banks have tightened credit standards, most notably for the [mortgage](#) market, and though he didn’t have data on it, he suspects the same is true for [small business loans](#).

“The board has been signaling to the banks that it would like to see an easing of credit, but that hasn’t yet occurred,” he said.

He added that might change with the Fed slowing its “quantitative easing” policy of buying of US [debt](#), and the eventual raising of [interest rates](#), though it plans to keep them in the 0-percent to .25-percent range for another year.

On inflation, he said, the Fed expects the rate to remain below 2 percent through 2016.

Locally, Vankatu said the story has been similar in terms of economic growth [and jobs](#). The unemployment rate is nearly a percentage point better at 5.6 percent than the national average. But when asked about Black unemployment rates running at more than twice that figure, he said he had not separated minority unemployment figures from the aggregate.

“If that is the case, I would suspect that the trend is similar,” he said. “So that even if there is a gap, both rates would be following the same path and improving at similar rates.”

However, he noted that from December 2011 to December 2013, with the exception of the government, information, leisure and hospitality, and retail trade sectors, the local economy has seen negative growth—even in the financial and mining sector—since 2012. But again, as with the national figures, he expects modest improvement.

Chamber President and CEO Doris Carson Williams thanked him for his presentation, noting that while the news wasn’t great, “It’s not as bad as it was.”

She also welcomed new members and reminded the audience of upcoming events including a new member orientation on June 30, and the chamber’s trip to Spain. She also announced that US Rep. Mike Doyle, D-Pittsburgh, would be the guest at a special July 7 Breakfast meeting.