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SLOW AND STEADY

Federal Reserve official likens economic growth to tortoise / 3

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A 'TORTOISE ECONOMY'

Fed economist predicts continued slow, steady growth at DCEDC event

By **KELSEY RETTKE**
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DEKALB – Economist William Strauss predicts workers could have a good chance of receiving a raise in 2019, and various sectors in the Midwest are outperforming their other regional counterparts, thanks in part to manufacturing activity.

Strauss, the chief economist for the Federal Reserve Bank of Chicago, has made annual visits to DeKalb County to give financial forecasts as part of the DeKalb County Economic Development Corp.'s Economic Outlook luncheon.

In his speech Thursday to DCEDC members at Faranda's in DeKalb, he struck a mostly optimistic tone about the national and regional economy and tamped down fears of recession – two consecutive quarters of decline in economic activity – in the months or even years ahead.

“When somebody says that the economy has been expanding for nearly 10 years, therefore next year we're in a recession just because we're due for a recession, to me that is really not very enlightened thinking,” Strauss said.

The outlook is better in some sectors than others, Strauss said. Although economic indicators show that workers could get better-than-average wage increases without triggering inflation and manufacturing activity is likely to see healthy growth, local farmers will continue to be frustrated by low prices for commodity crops such as corn and soybeans.

Strauss said an economic crisis such as the Great Recession is typically caused by a “negative economic shock,” which causes business and consumers to stop spending, such as the housing market crash in 2008, the terrorist attacks of Sept. 11, 2001, or serious inflation pressure.

He crafted a creative analogy to describe the reality of slow-moving economic growth, which he said has averaged 2.3% a year since the designated end of the recession in the middle of 2009.

“I've often described this economy as the tortoise economy,” Strauss said. “It's moderate and steady, with a decent but not impressive growth.”

According to the Midwest Economy Index – a monthly index designed to measure growth in nonfarm business activity in Illinois, Wisconsin, Iowa, Indiana and Michigan – the economy has been growing faster than in surround-



Photos by Mark Busch – mbusch@shawmedia.com

Keynote speaker William Strauss, senior economist with the Federal Reserve Bank of Chicago, is silhouetted by one of his graphs as he talks about the prospects for the economy in the coming year. Strauss painted an optimistic outlook, downplaying fears of recession.

ing regions, due in large part to manufacturing activity.

“Manufacturing has been the driving sector for growth in the Midwest,” Strauss said. “Whatever the rest of the economy does, so will manufacturing.”

As of March, unemployment is sitting at 3.8%, Strauss said, levels the country has not experienced since the 1960s. In the past 12 months, 2.5 million jobs were added to the economy on a national scale, Strauss said.

Although the labor market is historically tight, wages have not grown much faster than the rate of inflation. However, productivity of workers has now begun to increase, which will increase the chances that employers will raise wages at a faster rate than in the past because it's justified by their output, Strauss said.

“We've seen productivity come back with a gusto,” he said. “Now you can pay workers more and it's not going to affect your bottom line.”

Conditions in China are likely to hurt crop farmers while benefitting



DeKalb City Manager Bill Nicklas, vice president of the DeKalb County Economic Development Corp. board, listens as senior Fed economist William Strauss talks about the prospects for the economy in the coming year.

hog farms, Strauss said. Chinese hog production is expected to decline 30% in 2019 after an outbreak of African swine fever devastated hog producers there. That means there will be less demand for corn and soybeans for animal feed, but it will increase demand for American pork, regardless of retali-

tory tariffs now in place in China, he said.

Strauss said trade barriers imposed by the Trump administration, while a reversal of traditional American trade policy, essentially put American tariffs on par with those of its trading partners around the world.