Retirement News Highlights

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Leaders in Md. keeping close eye out for signs of recession

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OCEAN CITY — State and local leaders are keeping a watchful eye on economic indicators that could hint at a looming recession.

Mixed economic signals including high inflation and job growth linger as the state, nation and the world try to right themselves during a pandemic. Maryland's treasurer said some caution might be warranted.

"I don't want us to get to comfortable that we're ok because we still don't know where it's going to go and we have to continue to be vigilant on how we spend the money," said Treasurer Dereck Davis. "What we don't want to do is unnecessarily raise taxes or cut programs."

State and local government leaders were briefed on the state of Maryland's economy Friday during an annual convention of the Maryland Association of Counties.

Davis, a member of the state's Board of Revenue Estimates said it's too early to tell how inflation and increases in interest rates are likely to affect the coming year.

"Here in Maryland, especially in the population centers, the DC suburbs, I don't buy that we're recession-proof but we have it better than most because of where we are," said Davis. "I just think with the job reports and so forth, the May and June ones were tough. July was promising. I think we need more data and to watch the trends. I'm hopeful we'll recover quickly and move forward."

The state certainly is not recession-proof but does have some advantages — what Towson University economist Daraius Irani calls "beds, meds, feds and eds." The combination of hospitality, medical, federal government and education, is a strength in a state economy.

Irani said there are "mixed signals" in the economy.

"We're waiting for the other shoe to drop," he said.

About a decade ago, the state sunk into the national great recession more slowly. The climb out was similarly more sluggish compared to the rest of the country.

Tom Barkin, president and chief executive officer of the Federal Reserve Bank of Richmond Virginia, said the last decade before the pandemic was “the most stable one that we’ve seen in any of our memories.”

“Of course, COVID changed all that,” he said.

Over the last year, the country has experienced inflation near 40-year highs. Prices on commodities such as gas rose sharply with some only recently coming down.

Barkin compared a post-pandemic economy to the post-war eras of World Wars I and II and the post-Vietnam era.

War upends economies.

“Look at the aftermath of the war on COVID,” Barkin said. “Six trillion dollars of fiscal stimulus hit the economy. Workers stayed home with participation still well below pre pandemic levels. Many died. Businesses struggle to meet demand as supply chains fell vulnerable to the virus. Consumer spending shifted in a lockdown world.”

Barnick said the Federal Reserve Bank is “committed” to reaching a target of 2% inflation. In the last several months the monetary body has raised interest rates and signaled more increases in the future. Those increases have raised fears of a recession.

“I understand why. Inflation has turned consumer and business sentiment quite negative,” said Barnick. “There’s a path to getting inflation under control but a recession could happen in the process. If one does, we need to keep it in perspective.”

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