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# Economist: BP spill, global crises chilling consumers

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By J. Scott Trubey  
The Atlanta Journal-Constitution

The American economy just can't seem to catch a break.

Robert Allsbrook, chief economist for Birmingham-based Regions Financial Corp., said on Tuesday economic growth will be sluggish throughout 2010 and 2011 as consumer demand and confidence remains weak.

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The wobbly recovery has been slowed by a succession of setbacks: the Eurozone debt crisis, China reining in its spending and even the oil spill in the Gulf of Mexico, he said. All tighten the squeeze on consumer spending at a time when unemployment remains high and federal stimulus dollars are starting to dry up.

"The consumer feels like no one's in charge," he said.

That's not good. Consumer spending is makes up two-thirds of the U.S. economy.

According to a Certified Financial Planner Board of Standards survey, 65 percent of Americans are more concerned today

about the state of their finances than at the start of the financial crisis. Forty-four percent expect the American economy to improve in the next six months, but 28 percent say things will get worse.

Savings rates are up while spending is soft.

As federal stimulus spending starts to fall off later this year, Allsbrook questioned if the consumer will pick up the slack. That could lead to tough public policy questions, such as the need for more government stimulus spending, in the months ahead.

Allsbrook, the top forecaster for Regions, the sixth largest bank in Atlanta by deposits, isn't forecasting a double dip recession. But growth in Gross Domestic Product will slow, he said, to 1.5 percent to 2 percent for the next two quarters, down from 2.7 percent from the first quarter of 2010.

According to Allsbrook, production will decline on slackening demand, and housing, another engine of the economy, will be hurt by high rates of foreclosures and expiring federal tax credits. Business loan demand is also soft, and small businesses are learning to do more with less rather than take on debt and hire.

The consumer isn't confident government or business can solve these problems -- particularly the Gulf spill. "It's very much underappreciated in the national consumer psyche," he said.

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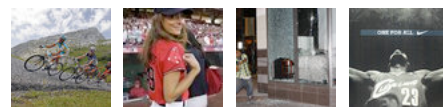
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