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## Economist Sees Modest Growth

**Fed Adviser Forecasts GDP To Grow By 2-2.5 Percent**

 By **VIC BRADSHAW**  
*Daily News-Record*

**HARRISONBURG** — Growth is running a bit ahead of what forecasters had predicted, Ray Owens said Tuesday evening, but that trend is not expected to last long.

Owens, a research adviser and senior economist with the Federal Reserve Bank of Richmond, said the gross domestic product is a bit above 2 percent now and is expected to grow into the 2.5 percent range into next year. But the growth rate is expected to fall back toward 2 percent — the rate thought to be sustainable — by or in 2020.

"Growth is near where it's been for a number of years, but we think

that's where it should be," Owens told a group of about 35 people mostly affiliated with the wealth management industry and local nonprofits during a presentation at the Explore More Discovery Museum. "We think it's supported by the fundamentals."

Owens was brought to town to talk about the economy by The Community Foundation of Harrisonburg

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Raymond E. Owens III, research adviser and senior economist with the Federal Reserve Bank of Richmond, provides an update on economic conditions Tuesday at the Explore More Discovery Museum.

Stephen Swofford / DN-R

# Economists Not Sure What Effect Tax Plan Will Have

## Growth

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and Rockingham County and IMPACT Harrisonburg, organizations focused on philanthropy. He covered an array of fiscal topics during his 42-minute presentation and a question-and-answer session.

Economists, he said, aren't sure what effect the Tax and Jobs Act of 2017 will have on the economy.

"Nobody knows at the moment if the recent tax cuts will take hold in a major way or be more muted," Owens said. "The forecast for the economy raised economic growth a few tenths over the next year or two, but then there is some giveback."

## Wage Growth Coming?

The nation has been adding about 200,000 jobs per month for some time now as the nation emerged from the Great Recession in summer 2009, he said, and that pace must slow dramatically or problems will arise.

Though the national unemployment rate has plunged from 10 percent in 2010 to a bit more than 4 percent now, wages and

inflation haven't increased as much as economists would expect, Owens said.

Most attribute that, he said, to people who had become discouraged by the job market and stopped looking for work suddenly deciding to re-enter the market and finding a job right away. Those people went from not being counted in any unemployment statistics to working.

"What we think is happening is there's a bit more slack in the labor force than the unemployment rate, any of those I showed you, reflect," Owens said. "But this will only last a while."

"We're going to eventually drain that pool of workers, and then the low unemployment rate really will reflect very tight pressures on labor markets and probably return to a more traditional relationship between unemployment and inflation."

The housing market is gradually coming back, business investment is increasing, and consumer confidence is on the rise, he noted. Mortgage and bond rates are increas-



Stephen Swofford / DN-R

Asa Graves, financial adviser with Wells Fargo, presents an economic outlook Tuesday during the annual financial review by The Community Foundation of Harrisonburg and Rockingham County and IMPACT Harrisonburg.

ing, too, though they're still below historic levels.

But inflation is the rate the Federal Reserve will keep a close eye on, Owens said. Today, it's below 2 percent, which is the rate the Fed typically targets.

The Fed's policies in recent years have been designed to stimulate the economy. But with the economy moving toward more normal conditions, he said the Fed has begun normalizing monetary policy.

"We're below [2 percent] now," Owens said,

"but we expect to return to that level."

Chairman Jerome Powell made comments before Congress on Tuesday that many interpreted as signaling that the Fed likely will approve three 0.25 percentage point increases in benchmark interest rates this year and could consider a fourth.

Owens said exactly what happens will depend on the economic data as the year unfolds.

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