Area keeps its cool on economy

Businesses, residents watchful, but not panicked by slowdown

By David Tyler
Democrat and Chronicle

(March 25, 2001) -- The flood of economic worries cascading across the national news resembles only a trickle so far in the Rochester area.

As stocks flirt with bear market territory and corporations around the country proceed with thousands of layoffs, many residents and businesses here are adopting a wait-and-see posture.

Consider Steve Mack, a contract pricing manager at Xerox Corp. At 38, Mack has a long way to go until retirement, yet he is concerned to see his retirement savings -- and his 2-year-old daughter's college fund -- shrinking in the market.

He hasn't changed his spending habits, though. He still is investing. He plans to buy a car in the next six months. And he has gone ahead with a bathroom remodeling project at his Irondequoit home.

The market downturn means stocks are cheaper to buy now. "It will all balance out in the end," Mack said.

It is too early to tell exactly where Rochester's economy is headed, said Kent Gardner, director of economic analysis for the Center for Governmental Research.

"We don't have any statistical evidence of a slowdown in Rochester, but our data usually lags by a month," he said.

Gardner doesn't see the signs of a recession -- by definition, two consecutive quarters of declining gross domestic product -- in the economy yet. "There aren't the structural imbalances that normally accompany a recession."
The most recent batch of local economic indicators describes an economy that is taking a pause, not a dive.

The Rochester chapter of the National Association of Purchasing Management's monthly survey showed that 27 percent of the businesses responding had more workers in February than in January. The same percentage had fewer.

When asked to forecast conditions for the next three months, 13 percent of the respondents saw business getting better, while 33 percent saw it getting worse.

Home sales in the area were down in February, according to the Greater Rochester Association of Realtors, but they remained ahead of last year's pace.

M&T Mortgage Corp. Vice President Bill Strunk said his officers still are handling plenty of mortgages. He wonders, though, if talk of an economic downturn is a self-fulfilling prophecy.

"My own opinion -- and I voted for (President) Bush, and I guess you could say I'm a Republican -- I think right now the current administration is pushing this economic mindset to get his tax package through," Strunk said. "He just drops a little phrase here, a little phrase there. I think that he has actually created this mess with the stock market dropping this much. He's gotten everybody to feel worried."

But some economists say it's probably not possible for consumers and companies to worry the economy into a slowdown.

The only way that could happen is if everybody pulled back on spending at the same time, based on inaccurate conclusions about economic trends, said Steve Landsburg, professor of economics at the University of Rochester's William E. Simon Graduate School of Business Administration.

The odds are against that happening because of the economy's market-driven nature, Landsburg said. In such an instance, "there is a tremendous profit opportunity for the one guy who comes along and sees reality for what it is."

Historically speaking, stock market volatility hasn't seemed to play a role in creating a slowdown mentality, another professor said. Though the market dramatically declined in both October 1987 and October 1989, the economy did not fall into a recession either time, said G. William Schwert, another professor of economics at the Simon school.

The current market slump seems to be based on well-founded concerns about the future, Schwert said. "I think that investors are reacting to news about profits, earnings and future growth opportunities."

Some business owners say consumers are starting to react, too.

"We're seeing people obviously not buying as much furniture," said Lorie Marple, who owns The Apple Tree, a Clarkson home decorating and
Marple, who owns The Apple Tree, a Clarkson home decorating and furniture store, with her husband, Doug. "Furniture is not on the top of the list when the economy isn't good."

But other businesses aren't seeing a slowdown.

Chase-Pitkin Home and Garden President Bill Strassburg said that while the late winter weather has cut down trade in the patio and garden areas, that has been offset by sales increases in the kitchen and bath departments.

"Our installed business overall is up 48 percent, and most of that is big-ticket items." he said. "Our average sale there is well over $1,000."

Charlotte Furniture and Appliance's President Jim Agostinelli went to see the firm's accountant late last week with trepidation, but came back to the store with a smile on his face.

Not only are sales up 3 percent since the beginning of the year, but the gain has come from unlikely areas -- discretionary purchases, including big-ticket items.

"Our appliance sales are basically the same," he said on Friday, "but furniture is up. Our big-screen TVs had big numbers in January. It's crazy. But I think eventually we're going to feel it -- all of us."

One key measure of Rochester's economic health is the state of affairs at the three most recognizable companies, each of which is cutting jobs and retrenching to cope with the slowdown.

Eastman Kodak Co., for instance, recently said it would cut 150 to 250 jobs at Kodak Park and is reducing global capital construction spending by about 20 percent. Xerox Corp., as part of a turnaround plan unrelated to the economy, is cutting more than 1,000 jobs at its Webster manufacturing plant and expects to slash capital spending worldwide about 25 percent.

Many residents say they feel insulated from layoffs and from downturns in the stock market. Those who are investing for their retirement say they aren't too worried, as long as those post-employment years are still a way off.

Tracey Miller, a 35-year-old at-home mom in Rochester, is hanging on to her stock in Cisco Systems, Yahoo and Xerox, despite their plunges in value.

"We're in it for the long term," she said of herself and husband Stephen, a Monroe County assistant district attorney.

Includes reporting by staff writers Chris Swingle, Frank Bilovsky, Ben Rand and Todd Grady.