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Business Report

By Andrew S. Ross
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SF Fed Official Expects Recovery to Be a Slog: Patience, as a virtue, is going to be tested for a while longer.

That is, if what **John Williams**, executive vice president and research director for the **Federal Reserve Bank of San Francisco**, says is true.

"Recovery will continue to be a long, drawn-out affair," he told a roundtable of Seattle corporate executives on Monday. "There's no sector of the economy - not consumers, not business and not government - that's waiting to surge ahead and drive a strong recovery," he said.

Stressing that the views are his, and not necessarily shared by his colleagues, Williams offered some concrete predictions:

- GDP: "About 3 1/2 percent next year and 4 1/2 percent in 2012." That's a little better than the Oxford Group's view, which we itemized two Sundays ago, of a "modest" 2 1/2 percent increase next year and 3 1/2 percent in 2012.
- Unemployment: "Probably still around 9 percent at the end of 2011 and won't reach 8 percent until late in 2012. I don't expect the unemployment rate to get back to a normal level of between 5 and 6 percent for at least four more years."
- Consumer spending: "Tepid." "Our retail contacts speak of a brutal sales environment in which heavy discounting has become the norm and holiday sales start around Halloween."

However, as if to remind us how soft a science economic forecasting can be, the Federal Reserve reported Tuesday that manufacturing grew faster than expected last month, led by autos, appliances and business equipment.

Retail sales, according to the U.S. **Commerce Department** on Monday, grew at their fastest rate in seven months, again more than expected, due largely to a rise in autos and construction materials. And consumer confidence, if the latest surveys are to be trusted, is rising.

Of course, confidence remains pretty low, compared with pre-Great Recession days, as do factory orders. The increase in retail sales may have a lot to do with that "heavy discounting" Williams referred to. (Full text of his speech at links.sfgate.com/ZKPH.)

Best advice: Keep breathing.

Sweatshop scorecard: Bay Area companies continue to lead in addressing what have been fearsome working conditions in overseas factories making their goods.

According to the 2010 Supply Chain Report put out by **As You Sow**, a corporate accountability group in San Francisco, **Gap** and **Levi Strauss** top the list of 15 U.S. apparel purveyors surveyed for promoting "programs and policies aimed at compliance with labor rights codes of conduct." Also in the top tier: **Wal-Mart**.

Levi Strauss and Gap, according to the report, "provided the most concrete examples of specific programs and policies they are engaged in to promote continuous improvement, a crucial factor in fostering long-term compliance."

Among those not faring so well, according to the survey (links.sfgate.com/ZKPJ): **Ann Taylor Stores**; **Liz Claiborne**; **the Jones Group**, whose clothing labels include Anne Klein New York and Nine West; and **VF Corp**. (Lee, Wrangler, North Face and others).

SOURCE: http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/11/16/BU601GAOBL.DTL&type=business