



As economy slows, is any area really 'recession-proof'?

By ALLEN G. BREED – 6 days ago

RALEIGH, N.C. (AP) — The catering business isn't what economists would call "recession-proof." Luckily for J.W. Walton, most of his biggest clients are.

The Catering Company of Chapel Hill specializes in gala affairs, with fireworks, floral centerpieces and menus that feature things like panna cotta with Macedonia di Frutta, and orange muffins with smoked turkey and lemon verbena jelly. About 70 percent of the firm's business comes from the Triangle's three big research universities — Duke down the road in Durham, North Carolina State in Raleigh and, of course, the University of North Carolina's flagship campus right there in Chapel Hill.

Even with the national economy slipping toward the doldrums, business is steady here.

"We're in a funny place," says Walton, a partner and the firm's catering/decor services designer. "The universities and the hospitals and the things that make the unique mix of business in this area are somewhat less driven directly by the economic conditions."

There's all kinds of talk these days about companies, industries and careers that are immune to these economic downswings. But are there "recession-proof" places?

Business consultant Mark Hovind thinks so.

Using data from the Bureau of Labor Statistics, Hovind, president of JobBait.com, compared job expansion in a number of key industries and work-force growth in various metropolitan areas. He came up with a list of about two-dozen areas where jobs outpaced the work force during the recessions of 1990 and 2001, and in the past year, and figured they'd likely fare well in another downturn.

"It's like keeping up with inflation," says Hovind, an engineer who describes himself as "a career coach for six- and seven-figure executives." "When the cost of living goes up 3 percent, you need a 3 percent raise just to stay even."

Among the metropolitan areas making his list were Prescott, Ariz.; Fayetteville, Ark.; Bakersfield, Calif.; Grand Junction, Colo.; Bend, Ore.; Valdosta, Ga.; and Morgantown, W.Va.

Each has an economy built around some industry — or mix of industries — that "don't follow the business cycle pattern," says Matt Martin, an economist with the Federal Reserve Bank's Charlotte office. They're regional health care centers, state capitals or university towns.

Like State College, home to Pennsylvania State University, which is also on the list.

With its 24,000 full- and part-time employees and record fall enrollment of 42,200 students, the school is the economic engine that runs this town nestled amid the hills and hardwood forests of central Pennsylvania.

On a recent weekday midmorning, waitresses at the Original Waffle Shop on West College Avenue bustled about the bright, cheery restaurant, filling the coffee mugs of salesmen in suits and retirees gossiping about Penn State football. John Dimakopoulos says business has done nothing but climb since he opened the doors in 1972.

"For State College to feel the crunch, that means every place else will be suffering," says Dimakopoulos, 59.

Outside town, things aren't quite as cheerful. Corning Inc. laid off more than 1,000 workers in 2003 when it shut down a television picture-tube plant in College Township, and Bolton Metal Products announced earlier this year it was closing a century-old brass rod factory in nearby Bellefonte and cutting almost 200 jobs.

But job gains at the university were nearly enough to offset those losses, Penn State economist Ted Fuller says. A new law school building is currently under construction, and a university-affiliated retirement community about a mile from Beaver Stadium is attracting alumni and newcomers to the town.

That might make State College "somewhat of a one-industry town," Fuller says. But locals are fortunate that it's "a clean, white-collar industry that pays well, continues to add jobs, and

is nearly immune from the changing fortunes of the business cycle."

The same is true in Morgantown, home of the West Virginia University Mountaineers.

"If somebody's cutting back, it's not really affecting their travel," says Renee Braley, an agent with National Travel. "With my people, it's business as usual. ... I'm doing the Middle East, Egypt, Italy."

Flashing on her computer screen is an itinerary for a Rome trip with a price tag of \$1,889. That same trip a year ago would have cost much less, she says.

"It's blowing my mind, but they're buying," she says, noting that one customer booked a \$9,000 spring break trip for his family, then came back a few days later for a \$13,000 jaunt to Hawaii. "They're still asking questions like, 'Will \$2,000 or \$3,000 more get me a better hotel?' So they're not cutting back.

"They should be, but they're not."

In Olympia, Wash., the local cash cow is state government.

At the southernmost tip of scenic Puget Sound, the population of this smallish city of 44,000 swells during the legislative session, when lawmakers, lobbyists and special interest groups swarm downtown coffee shops and eateries. Olympia is home not only to the Capitol and the bustle of politics that surrounds it, but also to two regional hospitals, Evergreen State College and a lively arts community.

In addition to numerous galleries, downtown Olympia hosts the Washington Center, home to the Olympia Symphony Orchestra, Harlequin Productions at the historic State Theater, as well as the Capital Playhouse. The 125-seat, black-box theater runs 11 musicals a year, and the three-week shows were so popular, they added another weekend to each musical starting last September.

"None of those things individually is a significant driver by themselves, but what they do do is drive the economies of other businesses," says Jeff Kingsbury, who founded the playhouse. "It's such a diverse mix of businesses and the thriving arts, it really helps stabilize the economy all the time."

Located between Seattle and Portland, and close to both the mountains and the coast, Olympia also earns points for air quality, low crime and other quality-of-life measures. But it's that constant of state government that is "the great equalizer for us," says Michael Cade, executive director of Thurston County Economic Development Council.

"State capitals are good, especially if ... state government's large relative to the size of the town," says Martin, the Fed economist.

Of course, even these "well-insulated" places — Martin's term — would feel the effects of a recession.

Hovind says his use of the term "recession-proof" shouldn't be misconstrued as meaning a place is untouched by economic malaise.

"It's not absolute. You can't look at it in those terms. This is a continuous scale of gray," he says.

Despite continued job growth and housing prices that are still climbing, the Triangle didn't make Hovind's list.

People get the mistaken impression that the Triangle — with the state government in Raleigh, the pharmaceutical firms of the Research Triangle Park, and the major research centers of Duke, NC State and UNC — is recession-proof, says NC State economist Michael Walden.

But the area is also heavily dependent on the technology and financial services sectors, both of which were hit hard in 2001 and would likely suffer in another recession, he says.

"So we do go through economic swings just like the rest of the nation," he says.

At the Chapel Hill caterer, bookings have remained stable. But Walton has noticed some effects from the slowdown.

People aren't cutting back on the food they request, but they are being more conservative — maybe opting not to have as many waiters or to run the bar themselves.

"It's not as simple to say they're not choosing our upscale Menu No. II; they're picking moderate priced Menu No. III," he says. "In the long run, if the economy continues to tank or continues to find a further bottom, we may see more people who drop out of our level of

entertaining."

Associated Press writers Rachel La Corte in Olympia, Genaro Armas in State College and Vicki Smith in Morgantown contributed to this report.

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