

US faces prolonged sluggish recovery

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WASHINGTON, D.C.: A year after bouncing back from a brutal recession, the US economy is losing steam and may enter a long period of sluggish growth inadequate to ease high unemployment, analysts warn. A series of data the past month underline a slowdown in economic activity in the world's largest economy—retail sales, new home construction, manufacturing, inventory building and exports were all weaker than expected.

Consumer confidence, a key barometer, has plunged to its worst level in five months on concerns over unemployment and business conditions, according to a closely-followed survey released Tuesday.

Against the ominous backdrop and as stimulus measures, which helped jumpstart the economy from recession are withdrawn by the government reeling from a persistent fiscal deficit, Americans worry their economy will contract again.

“July is turning into a very scary month for consumers as employment anxieties and fears of a double-dip recession weigh heavily on consumer attitudes,” said economist Jeffrey Rose of Briefing.com.

“Labor markets remain in turmoil,” he said, as initial weekly jobless insurance claims “remain well above recovery levels and nonfarm payroll growth has been disappointing” while unemployment remains near 10 percent.

Federal Reserve chief Ben Bernanke caused a furor last week when he called the economic outlook “unusually uncertain,” signaling possible use of extraordinary measures to sustain recovery.

The central bank will likely hold record low 0-percent interest rates up to 2011 to try to heal the economy, analysts said.

“While we do not anticipate a double dip, the real risk for the economy is a long period of sluggish growth,” analyst Aneta Markowska at Societe Generale said.

The US needs to grow in excess of 2.5 percent to 2.7 percent in order to bring down high unemployment, she said.

“Currently, the economy is growing just in line with trend which will only keep unemployment stable over time,” Markowska said.

On Friday, the government will provide US gross domestic product estimates for the second quarter of 2010.

Most analysts forecast the economy expanded by a slower 2.5 percent in the April to June quarter.

The economy, which emerged in the middle of 2009 from nearly a two-year recession, grew 2.7 percent in the first quarter and a rapid 5.6 percent in the final quarter of 2009.

“By most indicators, the US economy is recovering at a slower pace than in either mild or severe recessions of the past,” Moody’s Economy.com said, suggesting the recovery “will not reaccelerate for several months.”

“Past strong recoveries have been led by interest rate-sensitive industries such as housing and autos; that’s not the case this time. With fewer economic drivers at work, a downshift in growth was unavoidable,” it said in a report.

“With consumers feeling blue, real spending should be weak for the rest of 2010,” said Ryan Sweet, a senior economist with Moody’s Economy.com.

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