
Recession reports - To weigh on US economy for years - Survey

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According to the latest Wall Street Journal forecasting survey, the worst recession since the Great Depression has left a scorched landscape that will weigh on the American labor market and the broader economy for years to come.

The 48 surveyed economists expect the US economy to bounce back from four quarters of contraction with 3.1% growth in gross domestic product at a seasonally adjusted annual rate in the just ended third quarter.

Expansion is seen continuing through the first half of 2010, though at a slower rate. But the massive downturn means the labor market will take years to heal. On average, the economists don't expect unemployment to fall below 6% until 2013; unemployment hit 9.8% in September.

The Labour Department reported that initial claims fell 33,000 to 521,000 in the week ended October 3rd 2009. The number of people collecting unemployment insurance also fell, but remained above 6 million. On average the economists expect the unemployment rate to peak at 10.2% in February.

The Journal said that persistently high unemployment could prove a political hot potato not only for the 2010 midterm elections for Congress but also for the 2012 presidential election. While 9 of the 46 economists who answered a question on the subject supported tax cuts for employers and seven backed tax incentives for hiring, nearly a third said the government shouldn't do anything. Just four said the government should boost spending.

The Journal said some economists worry the economy will turn down again over the next 12 months, leading to a so called double dip recession.

(Sourced from IANS)

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