Economists expect slower growth, stable unemployment

By Tim Mullaney and Barbara Hansen
USA TODAY

The U.S. economy will slow this year after a flurry of stronger growth in late 2011, leaving the 8.5 percent unemployment rate about where it is now on Election Day, according to *USA TODAY*'s quarterly survey of economists.

The economy will slow to 2.2 percent annual growth in the first half of 2012 after an estimated 3.1 percent gain in fourth-quarter gross domestic product, according to the median forecast of the 48 economists surveyed.

The biggest reason for slower growth is that a late-2011 bounce back from the effects of the Japanese earthquake last March won't last, according to Diane Swonk, chief economist at Mesirow Financial. Slower growth will help keep unemployment at 8.4 percent or higher through year's end, economists predict.

"The little improvement we saw was partly catch-up; the retail recovery at Christmas was more hype than reality," Swonk said. "Consumer confidence is still at recession levels, just not at depres-

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sion levels."

The good news:

» The risk of a U.S. recession is falling. The median estimate of *USA TODAY*'s panel calling it only a 22 percent probability in the next 12 months.

» Europe's financial crisis will shave only a quarter of a percentage point from this year's U.S. growth, the economists said.

» More than 90 percent of the economists think home prices have bottomed out, or will by the end of this year.

» The Federal Reserve won't raise interest rates until the second half of 2013, half of the experts said. Almost as many say it will be 2014 or later.

The shaky news:

» Job growth will slow to a monthly pace of 144,000 new jobs early this year, rising to 165,000 a month in the fourth quarter, the panel predicted. The economy produced an average of 137,000 new jobs monthly in the fourth quarter, driven by December's gain of 200,000.

» Unemployment won't reach a healthy level until 2014 or later, the economists unanimously agreed.

The uncertainty has Wall Street betting that the Federal Reserve will do more to rekindle the economy, possibly as soon as the meeting of the Fed's Open Market Committee today and Wednesday.

It might decide to pump as much as $1 trillion into the economy by buying mortgage-backed bonds from banks and institutions, Miller Tabak & Co. economic strategist Andrew Wilkinson said.

"The Fed is underwhelmed by the recovery," he said. "They see the recovery hampered by the housing market, which is not going away anytime soon, and it's causing employment gains to be lightweight."