BUSINESS

Fed warns of looming crisis

Minutes of June meeting show division among officials over whether economy needs help now

By Martin Crutsinger
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WASHINGTON — The Federal Reserve is open to taking further action to support the struggling economy. But minutes of its June meeting show Fed policymakers are at odds over whether the economy needs more help now.

A few said the economy may already require additional support. But several others noted that further action "could be warranted" if the recovery lost momentum, if risks became more pronounced or inflation seemed likely to run below the committee's target.

Fed officials signaled at the June 19-20 meeting their concern that the struggling U.S. economy could worsen if Congress fails to avert tax hikes and across-the-board spending cuts that kick in at the end of the year. And they expressed worries that Europe's debt crisis will weigh on U.S. growth.

More stimulus "won't become a reality unless the recovery loses even more momentum or a more severe flare-up in the eurozone crisis raises the already elevated downside risks," said Paul Ashworth, chief U.S. economist at Capital Economics.

Members said the economy will likely continue to grow moderately. But the Fed lowered its growth forecast at the June meeting, noting that the U.S. job market had weakened and consumer spending slowed. It also said it didn't expect the unemployment rate to fall much further this year from its current 8.2 percent.