

NATION/WORLD

Rebound expected this year

Economists warn recovery will be painfully slow

USA TODAY

WASHINGTON — The U.S. economy will climb out of recession in the second half of the year, but firms will continue to cut jobs through 2009, and growth will likely be more of a crawl than a sprint, according to a survey of economists out today.

The unemployment rate is expected to peak at 8.8 percent early next year, according to the median answer of 52 economists surveyed by USA TO-

DAY Jan. 15-22. That is up from the 7.2 percent jobless rate seen in December and would be the highest since 1983. The jobless rate often continues to rise in the wake of a recession as employers remain cautious and implement earlier announced cuts.

Rising unemployment and general economic uncertainty is expected to keep the Federal Reserve on the interest rate sidelines through 2009. The Fed meets Tuesday and

Wednesday and is expected to pledge to keep rates near zero for as long as it takes to get the economy moving.

Economic improvement doesn't mean smooth sailing. The majority of the economists said the economy wouldn't return to a healthy, sustainable growth rate until 2011 or later. And 42 percent, a plurality, said the recession will turn out to be the worst in post-war history.

Standard & Poor's

chief economist David Wyss says for many people, the economy won't feel good for some time: "The key number for people is probably the unemployment rate. Until you see that turn around ... I think people will feel this is a recession, regardless of what the economists say."

But Wyss and the vast majority of economists expect the economy will turn a corner in 2009. Consumers are expected to increase their spending again in the second quarter as fiscal stimulus, bar-

gain-basement interest rates and lower costs for a variety of items, including gasoline, prompt them to loosen up their wallets a bit. Home sales are also expected to hit bottom, providing a boost to consumer confidence.

Nearly two-thirds of the economists, however, said the recovery will be "slow and gradual" given continued strains in financial markets and fragile business and consumer confidence. Businesses are expected to continue to cut spending until early 2010.