US stands strong despite fear over global slowdown

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WASHINGTON — Beyond the turmoil shaking financial markets, the U.S. economy remains sturdier than many seem to fear.

The Dow Jones industrial average has lost 874 points since Oct. 8, largely over worries about another recession in Europe, a slowdown in China and world-spanning crises that include the Ebola outbreak and the rise of the Islamic State.

Yet economists aren't reducing their forecasts for the U.S. economy. The International Monetary Fund, which heightened jitters by cutting its forecasts for global growth, has actually upgraded its outlook for the United States.

Economists say the troubles around the world aren't enough to derail a U.S. economy that's gaining strength from a stronger job market, falling fuel prices, lower mortgage rates and improvements in household finances and confidence.

"The U.S. economy is nicely insulated from most global events," says Eric Lascelles, chief economist for RBC Global Asset Management.

Mark Zandi, chief economist of Moody's Analytics, is keeping his forecasts for U.S. growth at 2.2 percent growth for this year and 3.4 percent for 2015. He calls the plunge in stock prices a "garden-variety correction" for an inflated market, rather than evidence of a faltering economy.

The IMF spooked investors last week by cutting its forecast for global economic growth this year to 3.3 percent from 3.4 percent. Even so, the IMF now expects the U.S. economy to grow 2.2 percent this year, up from its June forecast of 1.7 percent.

Underscoring the bright outlook, the government said Thursday that the number of Americans who applied last week for unemployment benefits — a figure that reflects the number of layoffs — reached a 14-year low. Once you factor in the growth of the U.S. labor force, the latest number means the likelihood of being laid off is the lowest it's been on government records dating to the early 1970s.

In addition, the Federal Reserve said Thursday that U.S. manufacturing production rose last month after tumbling in August.

For now, investors remain so worried about weakness across the globe that they've been dumping stocks of every geographic or industry origin.