Unemployment could stay high as US economy slows

BY MARTIN CRUTSINGER
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WASHINGTON — High unemployment isn't going away — not as long as the economy grows as slowly as it did in the April-June quarter.

Weak consumer spending held growth to an annual rate of just 1.5 percent, even less than the 2 percent rate in the first quarter. And few expect the economy to accelerate in the second half of the year as Europe's financial woes and a U.S. budget crisis restrain businesses and consumers.

The growth estimate Friday from the Commerce Department suggested that the U.S. economy could be at risk of stalling three years after the recession ended. Economists generally say even 2 percent annual growth would add only about 90,000 jobs a month. That's too few to drive down the unemployment rate, which is stuck at 8.2 percent.

"The main takeaway from today's report, the specifics aside, is that the U.S. economy is barely growing," said Dan Greenhaus, chief economic strategist at BTIG LLC. "It's no wonder the unemployment rate cannot move lower."

Sal Guatieri, senior economist at BMO Capital Markets, expects the unemployment rate to end this year — and next year — at 8.3 percent. He said he foresees no decline in unemployment because of how tepid he thinks economic growth will remain: 2.2 percent for all of 2012 and 2 percent for 2013.

Some economic data improved over the course of the April-June quarter, while others worsened. Hiring, for example, rose slightly from April to May to June. But home sales weakened.

Stocks rose as investors shrugged off the sluggish U.S growth and focused instead on pledges from European leaders to preserve the union of the 17 countries that use the euro. The Dow Jones industrial average jumped more than 200 points in late-afternoon trading. Broader indexes also gained.

The lackluster economy is raising pressure on President Barack Obama in his re-election fight with Mitt Romney, the presumptive Republican presidential nominee. But few think the Fed, the White House or Congress can or will do anything soon that might rejuvenate the economy quickly. Many lawmakers, for example, refuse to increase federal spending in light of historically large budget deficits.

No president since Franklin D. Roosevelt, in the depths of the Great Depression, has been re-elected when the unemployment rate exceeded 8 percent. Presidents Jimmy Carter and George H.W. Bush were ousted when unemployment was well below 8 percent.