

## U.S. economic confidence plummets in June, survey shows

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(Xinhua)

The key question now was whether this economic softening will be modest and transitory or whether it was a harbinger of something more significant, Gallup said.

Barry Bosworth, former presidential adviser and senior fellow at the Brookings Institution, told Xinhua that while the United States was unlikely to sink into another recession, the growth was likely to remain under 3 percent for the rest of the year - short of the 3 percent to 3.5 percent growth that most economists said was needed to significantly reduce the high rate of unemployment.

The economy would continue to see low growth, and there was very little room to do anything at the policy level, he said.

"I think the unemployment rate will stay pretty much unchanged for the rest of the year," he said.

**Bernard Baumohl**, chief global economist at the Economic Outlook Group, told Xinhua that while he foresaw no double-dip recession, the economy had certainly slowed down compared to last year's robust pace.

"We entered 2011 with considerable momentum, lots of steam. There was a great deal of optimism about how the economy would do in 2011, and then suddenly we got hit by all these geopolitical events in the Middle East and the disaster in Japan, and then suddenly it changed the whole equation," he said.

Indeed, after the onset of political tumult in the Middle East and the earthquake and nuclear crisis in Japan, economists began to re-assess their outlook for the economy.

All in all, many uncertainties have plagued the economy, **Baumohl** said. Oil and gas prices were likely to remain elevated, the cost of living was rising faster than wage growth, and the housing market remained comatose.

Taken together, those factors had prompted business leaders to exercise caution with regards to hiring and investing, which was likely to cause the economy to grow at a lackluster pace this year, he said.

Perhaps more worrisome was the likelihood of a coming period of weaker growth and elevated inflation, which will resemble a mild form of stagflation - a stagnant economy worsened by heightened inflation - although it was unlikely to be as harsh as the stagflation of the 1970s, he said.

Rea S. Hederman, assistant director of the Heritage Foundation's Center for Data Analysis, told Xinhua the economy was not adding enough jobs to keep pace with new entrants into the labor market as more people graduated from high school and college.

Many were also calling for the United States to address a number of factors that could have negative long-term implications, such as the massive U.S. deficit, as well as spending on entitlements - social security, Medicare and Medicaid.

Meanwhile, Wells Fargo reported Tuesday that retail sales fell 0.2 percent in May, reflecting weaker motor vehicle sales. Excluding autos, retail sales rose 0.3 percent, slightly better than the consensus. The numbers point to modest gains in second quarter personal consumption.

Business inventories increased 0.8 percent in April, while March inventories were revised upwards to 1.3 percent. Sales in April rose a very modest 0.1 percent, reflecting slower demand, Wells Fargo found.