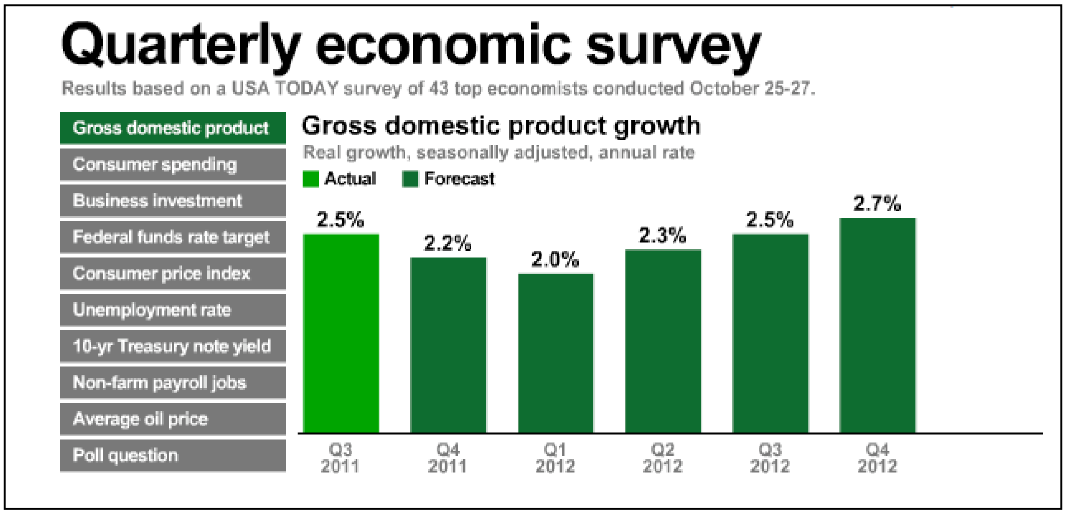


# Economists: Europe crisis to cloud U.S. economy in 2012

By Paul Davidson and Barbara Hansen
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Most economists surveyed by USA TODAY say the European debt crisis will remain a threat to the global economy next year and will hurt U.S. economic growth despite last week's deal aimed at averting a meltdown.

Still, many of the 43 economists polled Oct. 25-27 see less risk of a new U.S. recession, though they expect only modest growth next year.

Sixty-one percent say Europe's financial troubles will continue to weigh on the global economy despite last week's agreement by the continent's leaders to cut in half what Greece owes private lenders, bolster the eurozone's bailout fund and require banks to boost their capital.

**Bernard Baumohl,** chief global economist of **the Economic Outlook Group**, says the plan is woefully short on details, and there's no guarantee investors will buy government bonds to reduce the borrowing costs of financially troubled nations such as Italy and Spain.

Like a majority of those surveyed, **Baumohl** expects the debt crisis to trigger a recession in Europe that will affect the U.S. economy. He predicts Europe's problems could shave up to a quarter point off economic growth here next year. Although U.S. exports to Europe make up a tiny portion of the overall economy, large U.S. banks hold a significant amount of European debt.

The uncertainty, he says, "will impact the confidence of business leaders and consumers," dampening business investment and hiring.

Others have more faith in last week's deal and forecast a firming, if less-than-robust, recovery. Overall, the economists say the annual rate of growth will average 2.4% a quarter next year while companies add about 137,000 jobs monthly, up from an average 119,000 the past nine months.

The economy must grow by more than 3% and payrolls must expand by more than 150,000 a month to noticeably lower the unemployment rate, now 9.1%.

Hugh Johnson, head of Hugh Johnson Advisors, says he was heartened by a government report last week that showed better-than-expected consumer spending and business investment. "The numbers have gotten better," he says.

Dean Maki, chief U.S. economist at Barclays Capital, says lower oil prices and the recent end to Japanese supply disruptions stemming from the March earthquake have lifted impediments to consumer spending and business investment.

Other headwinds remain. Consumers are saving less to pay for increased spending ? that's unsustainable, **Baumohl** says. Federal budget cuts will further crimp economic growth next year.