Double-dip recession very unlikely: Economists

The Chinese economy is sizzling with full steam, and the U.S. economy is healing and will avoid a relapse into recession, which augur well for global recovery, economists said.

The American Bankers Association's economic advisory committee gave the prescription that Europe's sovereign debt turmoil, starting from Greece and is feared to spread to other countries, would inflict minimal damage on the U.S. economy, aside from trimming exports.

On average, the economists gauged real U.S. economic growth at a healthy 3.2 percent in 2010 and 3.0 percent in 2011.

Earlier, the World Bank predicted that China's economy will expand at 10.4 percent for 2010, and 9.9 percent for 2011.

Although the 3.2 percent U.S growth rate is not robust enough to repair its ailing labor market, the committee unanimously agreed that a double-dip recession for the global economy as very unlikely.

"The economy is moving ahead in a lengthy rehab process and will eventually return to full health and strength," said Stuart Hoffman, chief economist with PNC Financial Services Group and the ABA committee's chairman.

The economists expected 2.2 million new jobs in 2010, and 2.5 million in 2011. However, that will replace only about half of the total jobs lost during the 2008-2009 Great Recession.

The economists predicted that unemployment would come down only gradually, dropping to 8.5 percent by the end of next year. It currently stands at 9.7 percent.

High unemployment and low inflation will keep the Federal Reserve's interest rate near zero through the end of the year, they said. By June 2011, the economists thought the benchmark fed funds rate would reach 1 percent.

As for Europe, they thought a backstop of nearly $1 trillion provided by European leaders and the IMF would help restore confidence and contain financial market contagion from spreading. While the crisis will weaken economic growth in Europe, it will also keep U.S. government and mortgage borrowing costs low, providing a benefit to the U.S. economy.

"The most notable effect on the U.S. will be lower U.S. exports globally due to a weakening European economy and a strengthening dollar," the economists said.

The European debt woes will have similarly limited impact on China's economy too, hurting its exports to Europe by as much as 30-40 percent, but it is not expected to have a dent on the world's major developing economy.

China's exports picked up momentum in May, with imports jumping by 46 percent and exports by 48 percent, another verification that its economy has regained fire after a sluggish performance in 2009.

By People's Daily Online

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