

IMF Lowers US Economic Growth Estimate

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WASHINGTON (AP) — The International Monetary Fund foresees the U.S. economy growing a modest 2 percent this year, below its previous estimate of 2.7 percent.

That would be nearly identical to the economy's 1.9 percent growth in 2013.

A brutal winter and a slowing housing recovery caused the economy to shrink during the first three months of 2014, the IMF noted in a report released Monday.

"Extreme weather occurrences have a serious effect on the economy," Christine Lagarde, the IMF's managing director, said at a news conference.

Lagarde added:

"Extreme weather occurrences have repeated much more frequently in the past 20 years than the previous century. That's a reason to wonder about climate change and how to deal with it."

Recent figures suggest that a "meaningful rebound" will propel U.S. economic growth for the rest of 2014, the IMF said. Still, that will only partly offset what many analysts think was a contraction of up to 2 percent last quarter.

The unemployment rate has tumbled to 6.3 percent from 7.5 percent in 12 months. But the IMF warns that U.S. wages remain stagnant and the rate of long-term unemployment high. As a result, it urged lawmakers to lift the minimum wage and increase the Earned Income Tax Credit for those with low wages.

The IMF also highlighted the challenge for the Federal Reserve to properly time the unwinding of its policies to spur borrowing, investment and spending. Investors appear to be acting with a sense of certainty about Fed policies, even though central banks must respond to uncertainties about the economy, Lagarde said.

Lagarde also suggested that Fed Chair Janet Yellen should increase the number of news conferences she holds to up to six a year from the current four. Yellen is scheduled to hold one of her quarterly news conferences on Wednesday.

The Fed has kept short-term interest rates near zero to bolster the economy. It has also bought U.S. Treasury and mortgage bonds to keep longer-term rates low, a program the Fed has been unwinding since the start of the year.

The IMF projects that the United States won't reach a level of employment that would meaningfully lift wages until 2017 and that inflation pressures will stay muted until then. It thinks the Fed might consider keeping rates near historic lows longer than some market analysts expect.

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Raising rates too fast could "constrict the recovery momentum that we have observed," Lagarde said. She added that that would have spillover effects around the world and hurt growth in emerging economies.

Lagarde declined to take a stance on the dispute over payments for natural gas that Ukraine owes Russia. The two countries, embroiled in a broader territorial struggle, missed a Monday deadline to reach an agreement on payments. As a result, the Russian company Gazprom has cut off gas supplies to Ukraine.

"We don't intervene in commercial transactions," Lagarde said. "We certainly hope for the stability of that part of the world and for the stability of the supply of gas that the situation can be addressed promptly and satisfactorily."

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