

A Variety of New Reports Give Little Hope for a Quick Economic Recovery

June 22, 2011 - Today, the Federal Reserve released a revised economic estimate that predicts that the economy will remain sluggish and unemployment will remain high well into next year. The FED report comes on the heels of a Congressional Budget Office (CBO) report which paints a dismal picture of the economic picture and a Bloomberg survey which shows that a majority of people now believe that they are worse off than they were two years ago.

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The report from the FED revised US economic growth downward and stated that unemployment would likely continue to hover around 9% through the rest of 2011. For 2012, the report didn't get much better, predicting unemployment rates could still be as high as 8.2% by the end of next year—and that is if there are no major unforeseen circumstances that could further derail the economy. The FED report marks the second time this year that the agency has had to revise its economic predictions downward.

Even though inflation is now a real concern, the FED did say that it planned to continue to hold interest rates at near record lows for the foreseeable future. Unfortunately, even with the current low interest rates, even the most qualified borrowers are finding it difficult to access new lines of credit.

The FED announcement came after a report from the CBO that paints a very grim future for the US. According to that report, over the past two years out of control Washington spending has increased the country's debt from 40% of GDP to its current 70% of GDP; the highest rate since the end of World War II. The report went on to say that if the country keeps on its current path, government spending will be 190% of GDP by 2035.

The solutions offered included dramatic cuts in spending and significant increases in taxes; neither of which are likely to prove popular with members of Congress.

With all of this bad news, it should come as no surprise that consumers are also viewing the economy with pessimism. A survey by Bloomberg reveals some eye opening results. These include:

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44% of people say that they are worse off now than they were two years ago.

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59% say that the overall economy is worse than it was four years ago.

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66% say that the US economy is going in the wrong direction.

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90% believe that unemployment levels will remain above pre-recession levels for some time to come

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55% said that they believe that the best way to address the economy is through a combination of spending and tax cuts.

Perhaps the most telling statistic is that more than 50% of respondents said that they expect their children will have a lower standard of living.

by Jim Malmberg

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