

U.S. economy to grow 2.3 percent this year: think tank

WASHINGTON, April 1 (Xinhua)-- American economy may pick up modestly this year in a context of subdued inflation, the Peterson Institute for International Economics (PIIE), a Washington-based think tank, forecast Monday. Speaking at the semi-annual "Global Economic Outlook" meeting held Monday, David Stockton, a senior fellow at the PIIE, predicted that the U.S. economy would continue its slow recovery and expand by 2.3 percent in 2013 as an underlying improvement in household spending will be largely offset by the fiscal consolidation of the so-called "sequester," -- the automatic across-the-board federal spending cuts. "There are signs that the U.S. economy now is slowly gathering strength," said Stockton, the former chief economist at the U.S. Federal Reserve. However, he added that the economy may suffer from "cold spells" in the middle of the year before an entrenched momentum is likely in late 2013. Unemployment rate for the country will remain above the mark of 7 percent through 2014, before dropping below 6.5 percent in the second half of 2015. Inflation, which may edge higher during the year, would still remain below the 2 percent target, he said. Stockton expected the U.S. central bank to continue its quantitative easing through mid-2014, with asset purchases totaling 1.5 trillion U.S. dollars. He warned that the country has yet to see the macroeconomic impact associated with the sequester, 85-billion-dollar government spending cuts which began to take effect from March, and predicted that the fiscal drag would show through the overall economy in a weaker middle part of 2013. According to Stockton, the U.S. economic growth would accelerate to 3.1 percent in 2014, as some of the drags on economic activities continue to wane. He expected growth to pick up further in 2015 to a pace of 3.3 percent. The U.S. economy grew at a meager pace of 0.4 percent in the fourth quarter of 2012. Many economists said recent consumer spending data point to a stronger growth in the first quarter of this year.