IMF economist: U.S. not facing recession

By Jeannine Aversa

AP Economics Writer

WASHINGTON --
The U.S. economy - despite a painful housing slump - should not fall into recession this year, the International Monetary Fund's top economist said Thursday.

"The message here is reassuring. We do not think the U.S. is heading toward recession," said Simon Johnson.

Worries about the country's economic health have been fanned in recent weeks by former Federal Reserve Chairman Alan Greenspan, who has said he thinks there's a one-in-three chance of a recession this year. However, current Fed chief Ben Bernanke told Congress last week that he doesn't believe the economic expansion, now in its sixth year, is in danger of fizzling out.

The IMF's Johnson said that so far, the problems in the U.S. housing sector haven't spread widely to other parts of the economy, which is an encouraging sign that its damage should be limited.

"So we're not saying it's nothing. We are paying very close attention to it," Johnson said. "But we're not seeing it spread beyond residential construction."

Given that, Johnson also said that he expects the U.S. economy - now stuck in a soft patch that started in the spring of last year - to "bounce back quickly."

Despite the slowdown in the U.S. economy, the world's largest, IMF chief Rodrigo de Rato last month predicted global growth for all of this year to clock in at close to 5 percent. Rato said that would be the strongest five-year span for the world economy since the late 1960s.

Projections will be released next week in advance of the spring meetings of the IMF and the World Bank on April 14-15.

So far, the impact of the U.S. slowdown on the rest of the world "has been mild," Johnson said. A 1 percentage point decline in U.S. growth is associated with an average 0.16 percentage point drop in global growth, an IMF report said.

"Our message on the U.S. economy and the global economy is really quite positive," Johnson said. "We absolutely do not downplay risks. That's not our business. We worry a lot about all kinds of things .... in this instance, we feel quite positive."
A sharper-than-expected U.S. housing slump could pose a risk to the world's economic performance, an IMF report said.

"If the U.S. sneezes, you should worry about other parts of the world catching a cold. But at the moment other countries are mostly healthy; they also take their vitamins and take other sensible precautions - so the chance of serious colds elsewhere is quite small," Johnson said.

On another topic, Johnson acknowledged that globalization can heighten anxieties of workers and countries that are coping with ever-increasing trade competition and rapid technological change.

But he suggested that people and countries must adapt because globalization will continue to march ahead.

"It is not a good idea for any individual or any government to bury his or her head in the sand and just hope the global economy goes well or goes away," Johnson said. "The global economy is here to stay. It is complex and always changing, sometimes rapidly. We all need to watch it and study it carefully."

• IMF