World Bank: U.S. Unemployment To Hold Back Economy

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SINGAPORE (AP) — Stubbornly high joblessness threatens to trigger loan defaults and drag on consumption next year, hobbling a U.S. economy struggling to rebound from recession, World Bank President Robert Zoellick said Wednesday.

Zoellick warned that the U.S. unemployment rate, which jumped to a 26-year high of 10.2 percent in October, will likely remain elevated in 2010.

"You're going to have problems with delinquencies of credit card loans, consumer loans, people won't be able to pay their mortgages," Zoellick told reporters in Singapore. "Some banks are going to continue to be troubled by bad loans."

Government stimulus spending will likely fuel economic growth through the middle of next year, Zoellick said. After that, consumer spending and business investment must take the baton to boost expansion, he said.

"If you've got large scale unemployment, if you've got consumers rebuilding savings and deleveraging, I don't think the consumer is going to play that role," he said. "What's the other source of demand?"

U.S. gross domestic product grew an annualized 3.5 percent in the July to September period after shrinking five of the previous six quarters.

Governments should execute existing stimulus packages, but hold off on implementing new ones, he said.

Asian authorities should consider ways to tighten monetary liquidity, such as raising interest rates, before asset price bubbles get out of hand, Zoellick said. Asian stock indexes and some property markets have soared since March.

"It's important for central bankers to be thinking about that, but there may still be time," he said.

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