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Pianalto Says Long-Term Unemployment in U.S. Is 'Particularly Troubling'

By Timothy R. Homan and Mark Niquette - Oct 20, 2011

Federal Reserve Bank of Cleveland President [Sandra Pianalto](#) said that long-term unemployment is “particularly troubling” for the [U.S. economy](#), and a lack of demand is causing high jobless rates.

“A particularly troubling aspect of our current unemployment problem is the long duration of unemployment experienced by many individuals,” Pianalto said today in Toledo, Ohio. “The most important reason for our high unemployment rates is that spending by consumers, businesses, and government still remains uninspiring. In other words, these higher rates of unemployment are predominantly cyclical in nature.”

She said she foresees a growth rate of about 3 percent in the third quarter, and her outlook for 2012 is for about 2.5 percent expansion.

The U.S. economy, the world’s largest, expanded at a 1.3 percent annual rate in the second quarter after growing at a 0.4 percent pace in the prior three months, according to Commerce Department figures. Gross domestic product will advance 1.7 percent this year and 2 percent in 2012, according to a Bloomberg survey of economists earlier this month.

Payrolls Increased

Payrolls increased 103,000 in September, as the [unemployment rate](#) held at 9.1 percent, the Labor Department said Oct. 7.

Pianalto also spoke about the role of factories in the U.S. recovery. “On the positive side, exporters, machinery producers and high technology firms have shown good growth,” she said. “U.S. manufactured exports have risen briskly over the last two years, aided by the value of the dollar.”

A report today showed manufacturing in the Philadelphia region unexpectedly expanded in October at the fastest pace in six months, a sign U.S. factories may provide more support for the recovery. The Federal Reserve Bank of Philadelphia’s general economic index increased to 8.7 from minus 17.5 last month, the biggest one-month rebound in 31 years.

Economists forecast minus 9.4 for the gauge, according to the median estimate in a Bloomberg News survey. Readings greater than zero indicate expansion in the area covering eastern [Pennsylvania](#), southern [New Jersey](#) and [Delaware](#).

Good, Bad News

“While there is good news and bad news on the output side of manufacturing, there is little good news to report on the employment front,” Pianalto said today.

The Fed’s Beige Book survey, an anecdotal summary of economic performance, said the recovery was fueled by [consumer spending](#) that was “up slightly,” business spending that “increased somewhat” and manufacturing that rose as many districts reported a boost to automobile production.

Fed Chairman [Ben S. Bernanke](#) this month told a congressional committee that the two-year-old recovery is “close to faltering,” while repeating his forecast for a pickup in growth.

Policy makers voted Sept. 21 to push down mortgage and other loan rates in an effort to spur growth and employment. The Fed plans to extend maturities of the Treasuries in its portfolio by buying \$400 billion of long-term debt and selling an equal amount of shorter-term securities.

The Federal Open Market Committee’s policy decisions have “been appropriate given the outlook for our economy,” Pianalto said in response to a question from the audience. At the same time, she said, “there is a lot of uncertainty out there in terms of how our economy and the outlook will evolve.”

Pianalto, 57, became president of the Cleveland Fed in 2003. She is not a voting member of the FOMC this year and has never dissented from an FOMC decision. Fed presidents rotate voting on monetary policy, with Pianalto voting every other year.

To contact the reporters on this story: Timothy R. Homan in Washington at thoman1@bloomberg.net; Mark Niquette in Columbus, [Ohio](#), at mnikquette@bloomberg.net

To contact the editor responsible for this story: Chris Wellisz at cwellisz@bloomberg.net

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