

Feds expect national unemployment to top 10 percent

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WASHINGTON — The Federal Reserve expects the economy this year will sink at a slower pace than it previously thought, but that **unemployment will top 10 percent**, according to a forecast released Wednesday.

The Fed now predicts the economy will shrink between 1 and 1.5 percent this year, an improvement from its old forecast issued in May. At that time, the Fed projected the economy would contract between 1.3 and 2 percent.

The upgrade comes from the expectation that the economy's downhill slide in the first half of 2009 wasn't as bad as previously thought. The Fed said the economy should start growing again in the second half of this year, although the pace is likely to be plodding.

Against that backdrop, the Fed's forecast for unemployment this year worsened. The central bank predicted the jobless rate could rise as high as 10.1 percent, compared with the previous forecast of 9.6 percent.

The nation's unemployment rate climbed to 9.5 percent in June, a 26-year high.

The predictions are based on what the Fed calls its "central tendency," which exclude the three highest and three lowest forecasts made by Fed officials. The central bank also gives a range of all the forecasts. That ranged showed that some officials expect the jobless rate could rise as high as 10.5 percent this year.