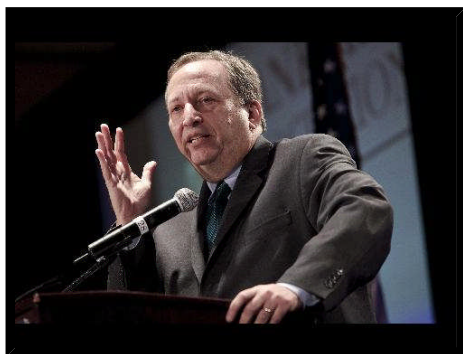




Obama Says U.S. Jobless Rate to Reach 10% This Year (Update1)

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By Matthew Benjamin



June 16 (Bloomberg) -- President **Barack Obama** said the U.S. unemployment rate will reach 10 percent this year, even as the economy begins to emerge from the recession.

"You're starting to see the engines of the economy turn," Obama said today in an interview with Bloomberg Television at the White House. "It's going to take a long time -- we had a huge de-leveraging that took place."

Obama acknowledged that unemployment lines may keep growing despite government efforts to boost economic growth, saying he's confident an expansion will begin "shortly." His outlook mirrors the forecasts of private economists who predict a jobless rate of 10 percent -- a level unseen since 1983 -- by the final three

months of the year.

"What you've seen is that the pace of job loss has slowed," the president said. "The economy is going to turn around, but as you know, jobs are a lagging indicator and we've got to produce 150,000 jobs every month just to keep pace, just to flatten this out."

The U.S. economy lost 345,000 jobs in May, the smallest drop since September and less than half the decline in January, reinforcing signs that the deepest recession in half a century is starting to abate. The **unemployment rate** rose to 9.4 percent, the highest since 1983.

Obama said Treasury yields are rising because investors have grown "more confident that we may have avoided the very worst scenarios" for the economy and financial markets.

Rising Rates

The 10-year Treasury note yield has increased 0.57 percentage point since May 14, and Treasury bears say yields will keep increasing as the government sells record amounts of debt to fund recovery programs.

"People have a greater appetite for risk, which means that there's going to be money flowing out of Treasuries and people are going to start putting money in other investments that provide higher yields," he said. "That also means that yields on Treasuries are going to go up."

Obama said it's important for the U.S. to maintain fiscal discipline to ensure investors around the world keep buying U.S. government debt.

China, the largest U.S. creditor, with \$767.9 billion of debt, has shifted purchases of Treasuries into shorter-maturity securities amid concern about unprecedented debt sales.

Long-Term Deficits

"I am concerned about the long-term issue of our structural deficit and our long-term debt because if we don't get a handle on that, then there's no doubt that at some point, whether it's the Chinese, the Koreans, the Japanese, and whoever else has been snatching up Treasuries are going to decide that this is too much of a risk," Obama said.

"That's why it's so important for us to get a handle on our long-term structural deficit," he said.

Earlier today, Commerce Department figures showed U.S. **housing starts** jumped more than forecast in May and

industrial production tumbled, reflecting an American economy still struggling to emerge from the slump.

"I'm confident that if we take the steps that are necessary on health care, on energy, on education, if we get a strong financial regulatory system in place so that people have confidence in the markets again, that we will end up seeing recovery shortly," Obama said.

The U.S. economy shrank at a 5.7 percent annual pace in the first quarter, capping its worst six-month performance in five decades and reflecting declines in housing, inventories and business **investment**.

Growth will turn positive in the second half of the year, accelerating 0.5 percent from July through September and 1.9 percent in the final three months of this year, according to the median estimate in a Bloomberg survey of 62 economists.

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