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The modern recovery comes in 3 speeds

Economic Outlook

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REUTERS

WASHINGTON The synchronized global economic slowdown has given way to a three-speed recovery, raising questions about how well the world will work together to ensure that the recovery stays on track.

First and fastest to recover were big, emerging economies like China, which is expected to report on Thursday that its economy grew at an annual pace of 11.5 percent in the first quarter.

That would be the swiftest growth rate since the third quarter of 2007, provoking questions about whether the economy risks overheating and whether Beijing ought to tighten policy or allow its currency to rise to cool things down.

Next comes the United States, where the recovery picked up speed at the end of 2009 but probably slackened a bit to start this year. With unemployment high and inflation low, economists widely believe that the Federal Reserve is in no hurry to lift interest rates from near zero.

Bringing up the rear is the euro zone, where growth is likely to be lackluster at least through 2010. Government debt fears fueled by Greece are compounding a variety of other ills, including high unemployment and a still-shaky housing market in countries like Spain.

But with figures on Friday expected to show euro zone inflation picking up, the European Central Bank may be under increasing pressure to act sooner rather than later.

Larry Kantor, an economist with Barclays Capital Markets in New York, said the United States would typically lead the world out of economic slowdowns and that it fell to the Fed to set the path for monetary tightening.

"This time around," he said, "a number of developing economies including China, Brazil, India and Korea led the recovery and are, or will likely be, tightening policy before the Fed. Since this has not happened before, it will be interesting to see how the respective central banks manage the process."

So far, he said they seem cautious and tentative, and the risks were tilted toward the authorities falling behind the tightening curve rather than being too aggressive.

A year ago, when the Group of 20 nations met in England to try to find a way out of crisis, its members pledged $5 trillion in fiscal stimulus and agreed to triple resources for the International Monetary Fund in a show of solidarity that economists say helped stimulate the recovery.

The uneven recovery means, however, that countries have different priorities now and that Group of 20 unity appears to be fading.

"I think we have seen the height of multilateralism at the summit last year," Domenico Lombardi, president of the Oxford Institute for Economic Policy, said in an interview in Washington.

"Clearly, at that point," he said, "the world was on the brink of an economic depression. Therefore, all the parties had a really strong incentive in coming together. Now the situation looks much better in a number of countries — not all — and, therefore, the incentives to cooperate are much less."

For China, the priority is to ensure that a rapid recovery does not run too fast, a topic that is likely to be up for more discussion if the data this week show both the economy and inflation picking up.

For the United States, inflation is nowhere near the top of the list of concerns. Indeed, economists surveyed by Blue Chip Economic Indicators predicted that the core inflation rate, which excludes volatile food and energy prices, might slip to a record low.

The Federal Reserve chairman, Ben S. Bernanke, who is scheduled to testify before a congressional committee on Wednesday, will probably reiterate that the central bank is in no rush to raise rates.