

# US economy officially shrinking

Staff Writer

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**The US economy shrank at an annualised rate of 0.3% between July and September, according to figures from the Commerce Department.**

The gross domestic product (GDP) figures were better than expected, although they show the sharpest contraction of the economy since 2001.

Consumer spending, which makes up two-thirds of the US economy, shrank by 3.1%, the first contraction since 1991.

The 0.3% fall followed 2.8% growth in the previous three-month period.

## Company results

The growth data came on the same day that some of the US's biggest companies reported their results for the July to September period:

- Broadcaster CBS made a loss of \$12.46bn (£7.59bn) in the quarter. This included a write-down of \$14.12bn-worth of media assets
- Electronics giant Motorola reported a loss of \$397m for the quarter, compared with a profit of \$60m a year ago, largely due to falling mobile phone sales
- Paper and packaging company International Paper reported a 31% fall in profits to \$149m and warned demand for its products had fallen
- American Express, the credit card issuer, announced plans to cut 7,000 jobs as part of a plan to save \$1.8bn by the end of 2009
- On the positive side, photographic company Eastman Kodak's profits jumped to \$96m for the quarter, compared with a \$37m profit in the same three months last year
- Personal care product maker Colgate-Palmolive reported profits of \$499.9m for the quarter, up 19% on the same period last year

## Recession judgement

The GDP figures showed that spending on non-durable goods, which are smaller purchases such as food and paper, dropped at its sharpest rate since 1950.

The economic shrinkage means that the US economy is halfway to the standard definition of a recession, which is two consecutive quarters of negative growth.

But the official definition in the US is different, meaning that the US economy is never officially in recession until the National Bureau of Economic Research decides it is.

Nevertheless, the Federal Reserve is clearly concerned about the US economy and cut its key interest rate from 1.5% to 1% on Wednesday.

"Consumer spending is about 70% of GDP and this looks like the lowest it has been in two decades, which goes to show that in the fourth quarter, we are going into recession," said Bill Walsh, president of Hennion and Walsh in New Jersey.

The GDP figures were accompanied by Labor Department figures showing the number of new claims for jobless benefits last week.

There were 479,000 new claims in the week ending 25 October, which was the same number as the previous week, but still a high number, suggesting that the problems in the economy are feeding through to the job market.