
Recession Report - US economy contracts as consumers retreat

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Reuters reported that US economy has suffered its sharpest contraction in 7 years in the third quarter as consumers cut spending and businesses reduced investment at the onset of what may be a severe and long lasting recession.

The Commerce Department said that US gross domestic product shrank at a 0.3% annual rate as the biggest pullback by consumers since 1980 overwhelmed an increase in government spending.

Mr Janet Yellen president of San Francisco Federal Reserve Bank has called the economy's recent performance deeply worrisome and said that the downturn was set to worsen. For the fourth quarter, it appears likely that the economy is contracting significantly and the bottom is not yet in sight for slumping housing prices.

The typical definition of a recession is consecutive quarters of shrinking national output, a condition that would be met if fourth quarter GDP declines as anticipated, though analysts already expect the slump to last nine months or more. The drop in GDP was widely expected but the decline was not as great as feared, soothing the angst of investors who bid US stocks up in the hope that interest rate cuts by central banks around the globe can ward off a deeper downturn.

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