

● DOWNSHIFT IN GROWTH

Dow slumps over 500 points after US GDP growth slows

Economy grows at 1.6% in Q1; spending cools amid inflation pickup

AGENCIES
Washington, April 25

US STOCKS SANK Thursday after the latest GDP report showed that US economic growth slowed to 1.6% in the first quarter of the year, a much weaker pace than expected.

The Dow Jones Industrial Average slid 580 points, or 1.5%, to 37,879. It had tumbled nearly 700 points in morning trading. Stocks got hit across the board, with the S&P 500 extending its April slide — as the economic figures fueled “stagflation” jitters, bringing even more uncertainty to the path of Federal Reserve policy. Swap traders reacted accordingly — pushing back the timing of the first rate cut to December. Treasuries sold off, with two-year yields spiking to 5%.

The latest economic data interrupted a run of strong demand and muted price pressures that had fueled optimism for a “soft landing.” Gross domestic product increased at a 1.6% annualized rate, trailing forecasts. A closely watched measure of underlying inflation advanced at a greater-than-expected 3.7% clip.

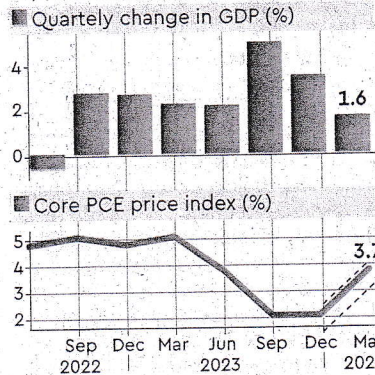
“This report was the worst of both worlds: economic growth is slowing and inflationary pressures are persisting,” said Chris Zaccarelli at Independent Advisor Alliance.

The S&P 500 slid 1.3%, while the Nasdaq 100 underperformed as Meta Platforms Inc. plunged on plans to spend more than it previously anticipated

IES

US growth slows sharply while inflation accelerates

Pickup in core price gauge pushes out expected timing of fed rate cuts



Source: Bureau of economic analysis/Bloomberg

amid its artificial-intelligence push. Both Microsoft Corp. and Alphabet Inc. are due to deliver earnings after the market close. The Dow Jones Industrial Average almost wiped out its gains for 2024.

Treasury 10-year yields climbed seven basis points to 4.71%. The dollar also advanced.

US economic growth slid to an almost two-year low last quarter while inflation jumped to uncomfortable levels, interrupting a run of strong demand and muted price pressures that had fueled optimism for a soft landing.

Gross domestic product increased at a 1.6% annualized rate, below all economists' forecasts, the government's initial estimate showed. The economy's main growth engine — personal spending — rose at a slower-than-forecast 2.5% pace. A wider trade deficit subtracted the most from growth since 2022.